FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

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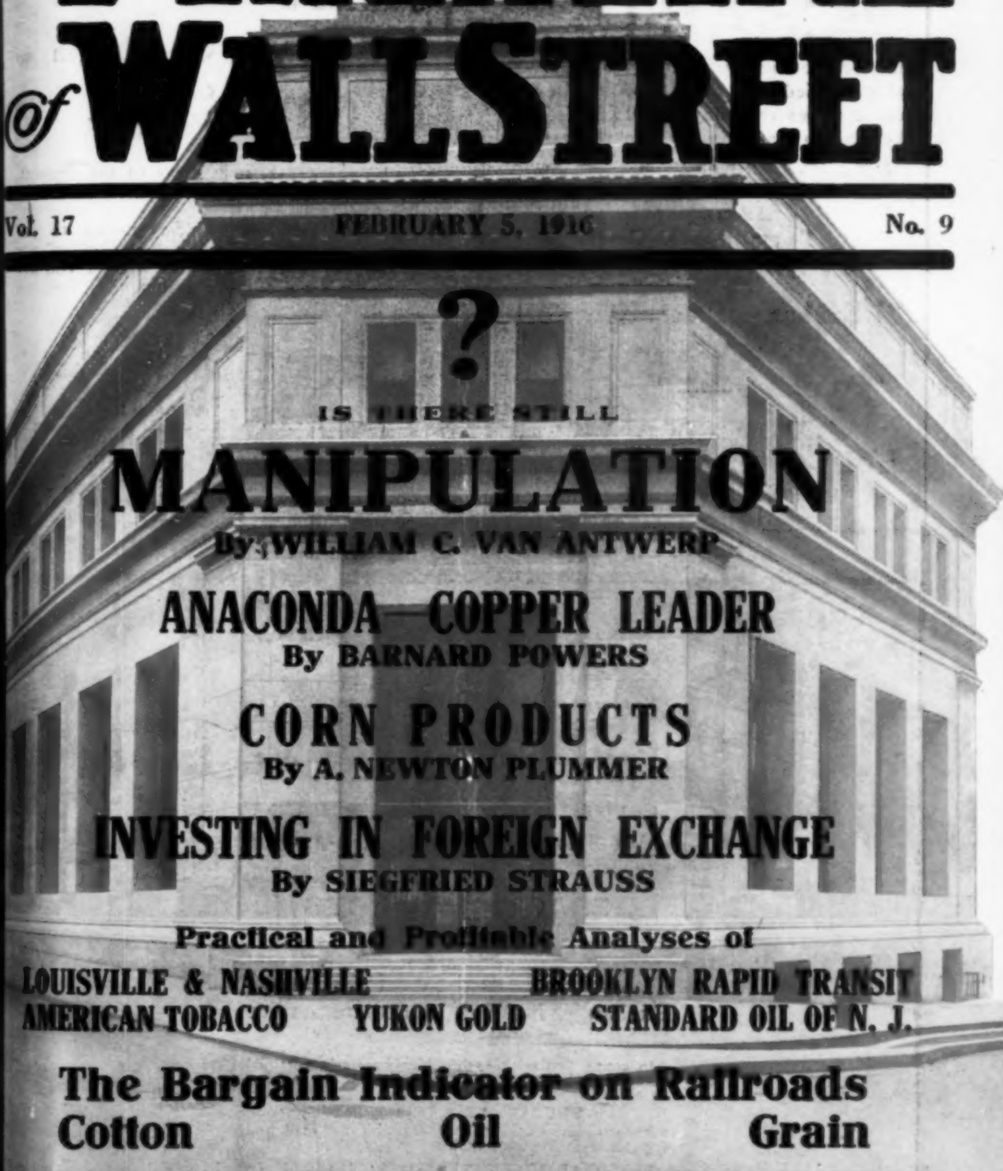

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IS THERE STILL

MANIPULATION

By WILLIAM C. VAN ANTWERP

ANACONDA COPPER LEADER

By BARNARD POWERS

CORN PRODUCTS

By A. NEWTON PLUMMER

INVESTING IN FOREIGN EXCHANGE

By SIEGFRIED STRAUSS

Practical and Profitable Analyses of

LOUISVILLE & NASHVILLE BROOKLYN RAPID TRANSIT
AMERICAN TOBACCO YUKON GOLD STANDARD OIL OF N. J.

The Bargain Indicator on Railroads
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A FEARLESS, FORWARD-LOOKING, FINANCIAL FORTNIGHTLY

Vol. Seventeen | FEBRUARY 5, 1916 | No. Nine

THE OUTLOOK

Foreign Liquidation—War Profits and Our Supply of Gold—Wages Rising—The Market Prospect

WHILE a great variety of reasons have been assigned for the recent declining tendency of prices and numerous items of news have been hailed as bearish and given as the causes of one break after another, it is now coming to be generally understood that the principal reason has been, as usual after a prolonged advance, an over-extended bull account.

While prices are rising nobody worries much about over-extension, but when the tendency reverses there is a general waking up to the desirability of cutting down loans and insisting on abundant protection for all holdings.

The decline has now been sufficient to annoy many holders of stocks on margin, especially in the war issues. What looked like a very liberal margin on such issues a few months ago has now in many cases shrunk to the width of a shoestring owing to the wide fluctuations of this class of stocks.

Foreign Liquidation

THERE can be no doubt, also, that foreign liquidation has been one of the principal causes of the decline. It is not so much that any particularly heavy selling has appeared from that quarter just now, as the cumulative weight of the stocks that have been returned to little by little ever since the war began.

It is clear also that the British Government, as a result of the mobilization plan, will have on hand soon a large supply of stocks which can be sold back to us whenever the government thinks it desirable. Sooner or later about all of the stocks deposited under the mobilization plan will come to this side. It is probable that most of them will be sold to us outright and the remainder will be used as collateral for some kind of a loan. England's necessities are likely to be great enough to force her to part with nearly all of the American stocks that can be got hold of.

All this foreign selling, past, present and future, keeps adding to the weight of stocks the market has to carry. It could not be expected, even with all our present remarkable prosperity, that we could continually absorb stocks from abroad on a rising scale of prices.

Saner View of War Profits

THE rank and file of speculators are now taking saner views of the effect of war profits on the stocks of the war order companies. If we figure on the basis of present rate of earnings, it would be hard to set any reasonable limit to the rise of prices. For example, here are some of the estimated current earnings of leading war stocks:

American Can, common	25%	International Nickel, common	28%
American Locomotive, common	35%	Lackawanna Steel	30%
American Steel Foundries	20%	N. Y. Air Brake, common	50%
Bethlehem Steel, common	400%	Republic Iron & Steel, pref.	28%
Butte & Superior	$35	Sloss-Sheffield, pref.	22%
Crucible Steel, common	50%	Studebaker, common	30%
Cuban-American Sugar	70%	U. S. Industrial Alcohol, common	35%
General Motors	100%	U. S. Steel, common	25%
Goodrich, common	17%	Virginia-Carolina Chemical, common	18%

If these stocks were entitled to sell at anything like the prices that would normally correspond to such earnings, there would indeed be no top to the bull market. It was that feeling that led to the wild advances of 1915. Each buyer knew that such earnings must be temporary—but why worry about that so long as no one else did? Each buyer was figuring, no so much on the actual value of the stocks, as on the effect of such earnings on other speculators.

Now that the market is in a more rational mood, that form of argument has much less weight. It is recognized that the big war earnings must be looked upon in the nature of a windfall, useful and welcome enough and likely to be of permanent benefit in setting the industrial companies upon their feet after a period of very poor business, but really affording very little indication as to the price at which the stocks should sell.

Big Gold Supplies Probably Temporary

SOMEWHAT similar arguments apply to the entire industrial situation in this country at present. The excess of our merchandise exports over imports for the year 1915 was $1,763,000,000, against a previous high record of $691,000,000 in 1913. Such a tremendous sale of our goods abroad has necessarily diffused an unexpected prosperity—but it is very far from warranting a level of prices for our securities based on the continuance of such conditions.

Our phenomenal favorable trade balance has resulted in heavy imports of gold, but in all probability our possession of this gold will prove temporary. Our heavy exports will presumably continue for a time after the war is over, but only for a time. Once peace conditions are thoroughly established, the whole of Europe will be looking longingly at our great stock of gold.

Currencies throughout Europe are now grossly inflated. After the war they will have to be brought back to a gold basis. We have the gold, but can we keep it under such conditions? Europe has always, for many years past, depended largely upon export trade for its income. This export trade will have to be built up again and to do it prices will be lowered. Our prices will be on a high level, largely because of our big supply of gold. Therefore Europe will strive to sell in this market. Our favorable balance of trade will in all probability be reversed and we shall export gold.

Higher Wages in Prospect

A FACTOR which is practically certain to cut into profits all along the line is the necesity of granting higher wage-scales to employees. This movement is spreading rapidly. It began in the munition industries, where employers were al-

most at the mercy of the operatives owing to the big orders on hand and the scarcity of skilled workmen in those lines.

The U. S. Steel Corporation has voluntarily raised wages and some of the textile companies have done the same. Railroad employees are now demanding their share of the increased earnings of the roads, accompanied by the usual strike vote. An actual strike is not seriously apprehended, but it is highly probable that in one way or another the employees will get higher wages. They have an excellent argument in favor of more remuneration, in view of the rapid rise in the cost of living and the sudden increase in the earnings of the roads.

Other lines of business will be similarly affected. In some industries advances are already under consideration and in others the question will unavoidably come up for settlement this year.

Steel and Copper in Demand

THERE is so far no indication that top prices have been reached by steel or copper. In the iron and steel trade buying for the last half of 1916 is steadily under way and orders for early delivery have to be continually refused by the companies. Copper producers also are sold far in advance and the foreign demand for copper shows no signs of abating. Domestic consumers in some cases hesitate to pay the present record prices for copper, perhaps having in mind the sudden and painful collapse of copper prices in 1907, the last time the price was at anything like the present level. It seems probable that the domestic demand for copper for ordinary industrial purposes will be considerably checked by a price above 25 cents a pound, but so long as the war demand keeps up both here and abroad there seems little likelihood of any important decline.

The Market Prospect

AS this is written there is again some uneasiness over the outcome of the Lusitania controversy, for the first time in some months. The majority of investors have come to believe that Germany will not sever diplomatic relations with us and if they should find themselves wrong in this belief the market would probably receive something of a shock. But it is hard to see how we can be dragged into the war at this late date, or exactly what we could do if we were. We have practically no army and our navy is not needed by the Allies. The mere severing of diplomatic relations would be unfortunate but apparently could have no very definite practical results.

As yet the end of the period of readjustment in the market is not in sight and the investor will probably make no mistake in waiting for some more definite indications before repurchasing. The technical position of the market has been improved somewhat by the decline but it is not yet all that could be desired.

Even the metal stocks, which are in relatively the best position, have failed to follow the further advances in metal prices and this reluctance is causing considerable uneasiness to that very considerable part of the speculative fraternity who have been patiently holding some of these stocks for a further advance.

The big interests of Wall Street have evidently started the year 1916 with a determination to prevent undue inflation if possible, and have thrown the weight of their influence against further advances. There can be no doubt of the wisdom of this course when the more distant future is considered.

During 1915 the market discounted the prosperity which we now see around us. We must now expect that the market will discount something new. The mere existence of prosperity is not an adequate argument for a renewal of the bull market.

"Is There Still Manipulation?"

An Answer to An Important Question—What the State and the Stock Exchange Has Done to Discourage Manipulative Practices and WithWhat Success—An Authoritative Statement

By WM. C. VAN ANTWERP
Chairman of Committee on Quotations and member of Governing Committee of the New York Stock Exchange.

(Here is Mr. Van Antwerp's unequivocal reply to The Magazine of Wall Street's query, "Does manipulation in stocks still exist?" In his letter to us Mr. Van Antwerp said, "We believe firmly that there are now no transactions on the Stock Exchange which do not involve an actual change of ownership."

Perhaps this article will lead to a clearer understanding as to what constitutes manipulation. The term "manipulation" is used today in the loosest sense, and is made to mean almost anything that the user cares to interpret into it. But between legitimate speculation and illegitimate manipulation there is a very wide difference. But the law of the State and the law of the New York Stock Exchange clearly states sales of securities must be "in whole or in part a simultaneous change of ownership."—Editor.)

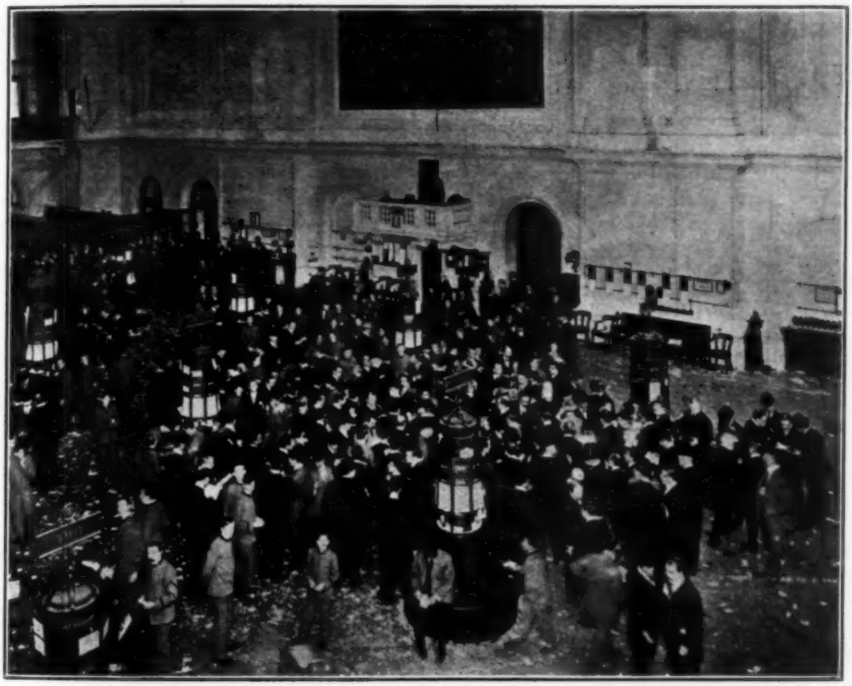
As men of affairs do not in this day and generation defy the law with impunity, it is important to remember in any discussion of manipulation that there is a law against it. This statute appears in Chapter 253 in the Laws of New York and is entitled: "An Act to amend the Penal Law in relation to the manipulation of prices of securities and conspiring movements to deceive the public." The law itself provides that any person who "by means of pretended purchases and sales" . . . . "or by any other fictitious transaction or devices" . . . . "whereby either in whole or in part a simultaneous change of ownership" . . . "is not affected, is guilty of felony, punishable by a fine of not more than $5,000 or by imprisonment of not more than two years or by both."

Now the mere existence of a law does not, of course, imply respect for it, and there is no greater fallacy than that which ascribes to Government an all-wise and beneficent power to regulate commercial morality or any other kind of morality. No government is or can be better than the governed; no government is all-wise and few are beneficent; no law can lift people above the level of its tastes and inclinations. Therefore, what is required to bring about actual reform in business malpractice in any of its forms is something stronger than statute law, and that "something" is public opinion.

What has the New York Stock Exchange done to formulate and to uphold public opinion in this matter prohibiting the manipulation of securities? As a single business man or group of business men can maintain a standard of business ethics far higher than that which is used in the general world of business, so the Stock Exchange can be far more exacting in the rules it applies to the transactions of its members and their customers than would be tolerated by the business world at large in the conduct of its affairs. This point will not be disputed. Accordingly, having in mind the best interests of the public, the Stock Exchange by its resolution of February 5, 1913, absolutely prohibited any transactions that did not involve an actual change of ownership. More than that, it appointed a standing committee with

large powers to enforce this law of the Exchange and to inquire arbitrarily into any dealings which seemed to fall within the prohibition. Up to the present time these restrictive measures have worked well; at any rate, although there have been frequent investigations, no violation of the Stock Exchange law or the law of the State has yet been discovered.

Why should doubt exist in any one's mind as to the determination of the Exchange authorities to enforce the law? It goes without saying that the Governors of the Exchange are men as deeply imbued with the spirit of honor and fair dealing as any other group of business men. The members of the Stock Exchange are always face to face with the fact that their reputations, their good names and their private fortunes are at stake, and that each and all alike, they are dependent upon the good conduct of the business in which they are engaged. With all these considerations before them, the Stock Exchange maintains today and maintains firmly, that no transactions take place within its walls that do not involve an actual change of ownership. Any assertion to the contrary supported by reasonable evidence will be promptly investigated by the Committee appointed for that purpose and, if guilt is established on the part of any member of the Exchange, that member will be punished. Finally, members and non-members alike, if guilty, will be prosecuted by the Distract Attorney under Chapter 253 of the Penal Law to which reference has been made.



Around the "Steel" Post on the Floor of the New York Stock Exchange

Answering the question put to me, therefore, "Does Manipulation Exist," I say squarely that it does not.

Anaconda—Copper Leader

Earning $20 a Share—Why Market Price Has Not Discounted the High Metal Prices—Prospects for Immediate and Distant Future.

By BARNARD POWERS

WHEN the Anaconda Copper Co. completed the act of swallowing the Amalgamated Copper Co. root and branch on August 31 last, Wall Street said—or rather that part of the financial community which speaks French, "Le Roi est mort—vive le Roi." The old king—Amalgamated—is dead for all time, after a career as spectacular as that of any corporation in modern finance. But will the career of the new king—Anaconda—prove as interesting and as kaleidescopic? It hardly seems likely.

A New Era

In the first place the old Amalgamated leaders are either dead or in semi-retirement. Henry H. Rogers, the genius—good or evil according to the viewpoint—of Amalgamated, has long since passed to the Beyond, and William Rockefeller no longer takes the active interest in the market that he did a decade ago.

Anaconda will doubtless continue to be the bell-wether of the copper flock, on account of its importance in the copper producing field, the number of its stockholders, and the market prestige it inherited from Amalgamated, but it is more than doubtful whether it will ever occupy the position of speculative importance of its predecessor.

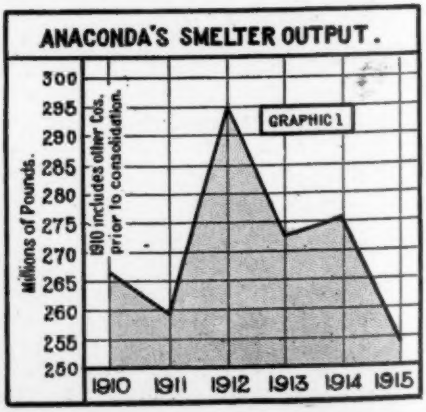
Comparison Impossible

When one endeavors to compare the present Anaconda with the old Amalgamated, he is at once confronted with obstacles which render such comparison of little value. To clearly understand why this is so one must go back a little.

The original Anaconda mine was opened in 1880 as a silver producer, but it was quickly discovered to be a high grade copper property. During the fifteen years subsequent Anaconda made net profits not far from $50,000,000. In 1895 the present company was incorporated with an issued capitalization of 1,200,000 shares, par $25. In 1910 the first step took place towards the formation of Anaconda as it is today.

How Anaconda Engulfed Amalgamated

The number of shares outstanding was increased to 4,332,500, and practically all the mines, and coal and timber lands of Amalgamated were acquired. Amalgamated became a holding company with its chief asset in the form of about 75% of Anaconda stock. Production of Anaconda, the operating company, varied from 268,000,000 lbs., round figures, in 1912, to 205,300,000 lbs. in 1914. In 1913 Anaconda, true to its name, engulfed still another portion of Amalgamated by taking over the International Smelting & Refining Co., owning several valuable smelters and refineries throughout the country, and in March, 1914, with one final gulp acquired Amalgamated's remaining physical assets,, including the United Metals Selling Co., the largest copper



selling agency in the world, and which handles uuwards of 400,000,000 lbs. of copper annually. Amalgamated had now become a shell with a name, and it was obvious that its end was near.

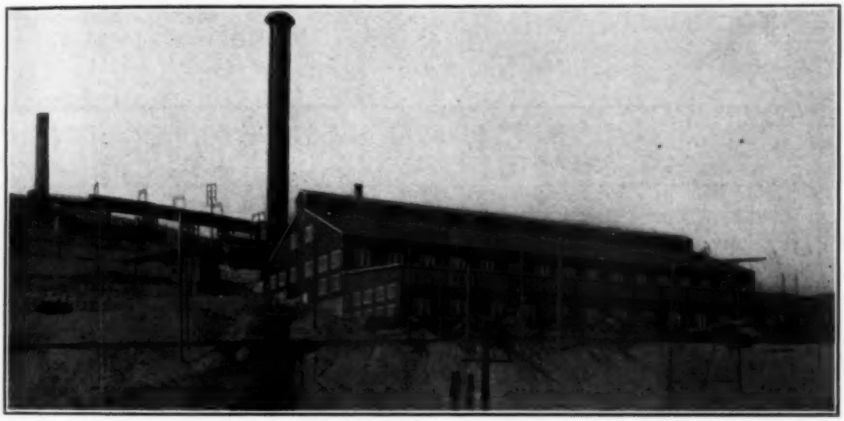
There were two good reasons why Amalgamated should dissolve. Incorporated in New Jersey, the recent stringent "Seven Sisters" laws clogged the management's plans for development. The Montana laws under which Anaconda is incorporated, allow a much freer scope of activity. Secondly, the maintenance of two organizations, one of which was unnecessary, meant a duplication of taxation. Amalgamated had served its purpose, and it was time for it to go.

The gradual shifting of property holdings over a period of years, as indicated in the foregoing, makes it evident that a comparison with the present Anaconda with the old Amalgamated is of little real value from an investor's standpoint.

The New Anaconda

Commenting upon the new Anaconda, a prominent financier remarked shortly after the dissolution of Amalgamated, "The new Anaconda stock represents the ownership of by far the greatest and most complete copper mining and distributing enterprise in the world. Under favorable conditions, and as soon as the recent improvements, including the new leaching (see illustration) and flotation process are completed, the company should be able to produce at the rate of nearly 300,000,000 lbs. annually at a cost of between 9½ and 10c. a lb."

Let us see under what conditions Anaconda starts its new lease of existence. There is $116,562,500 or 2,331,250 shares outstanding of an authorized issue of $150,000,000 or 3,000,000 shares. The company's funded debt consists of $16,000,000 2 year 5% notes dated March 1, 1915. Working capital at the time of the last annual statement totaled $10,000,000 in round figures, and the profit and loss surplus $7,681,000. Graphic 2 shows that on the average the company's dividend distributions have run pretty close to the amounts earned and available for dividend distribution. This point is brought more in detail by the condensation of the income accounts for the last decade which appears herewith.



Anaconda's New 2,000-Ton Leaching Plant

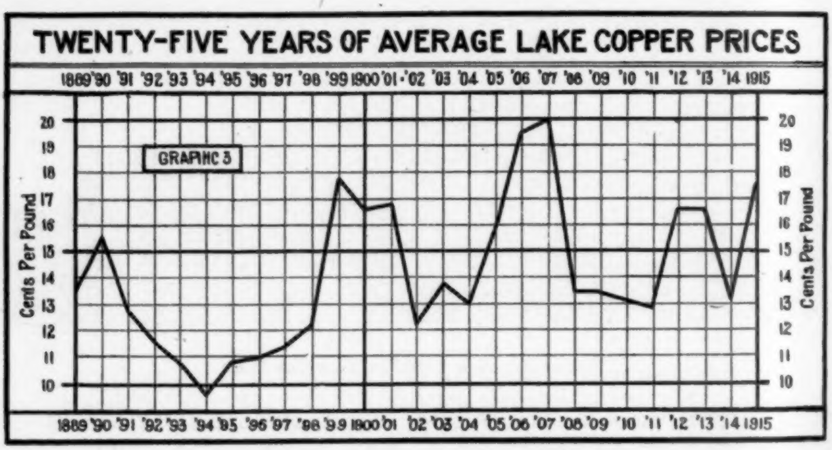
	10 Years 1905-1914.	Yearly average.
Net profits available for dividends	$70,891,616	$7,089,162

Average earned on average number of shares outstanding	$25.32	$2.53
Average dividends per share	$24.97	$2.50

Graphic I shows Anaconda's smelter output for the last six years. The decline noted for 1915 was due to the 50% curtailment policy which went into effect after the outbreak of European hostilities in 1914, and which lasted into 1915. The effect of that reduction is shown in the January, 1915, production of 13,700,000 lbs., as contrasted with last December's outturn of 25,600,000 lbs. On the basis of the month last reported, Anaconda is now turning out copper at a rate in excess of 300,000,000 lbs. per annum. Graphic 3 shows the average of Lake copper prices for twenty-five years, Lake copper being selected because the records run farther back than the electrolytic copper prices. Ordinarily Lake copper sells about a quarter of a cent a pound above electrolytic.

Anaconda's Present Earnings

The graphic, while of value for comparative purposes over a period of years, gives no idea of the extraordinarily high prices for copper now prevailing. As this is written the report is current that some electrolytic copper has sold for 30c. a lb. Disregarding this one sale of probably a small lot of the metal at a record price, it is a fact that electrolytic has sold in quantities at 25½c. a lb. Allowing Anaconda a cost of 10c. a lb. and a production of 300,000,000 lbs., it appears, then, that earnings are now at the rate of about $45,000,000 per annum on 25c. copper, or approximately $20 a share on Anaconda's 2,331,000 shares outstanding. At the present high rate of production it is probable, in fact it is certain, that Anaconda can show better cost figures than 10c. a lb. In fact, it has been unofficially stated that the company can do as well as 8c. a lb., and if one cares to accept that figure it would add about $6,000,000, or approximately $2.70 a share to Anaconda's present annual rate of earnings.



But mining costs are elusive things, and usually seem to run under rather than above expectations. So, considering the matter from a strict investment viewpoint, it is more conservative to take the 10c. figure until the property has actually demonstrated its ability to better a 10c. cost.

Why Anaconda's Low Market Price?

On the basis of the present dividend rate Anaconda at $87 is selling on a 7% yield basis, and is earning at a rate of about 23% of its market price.

When one stops to consider that in 1907, when copper was selling no higher than it is at present, the old Amalgamated stock sold as high as $121 a share, the question naturally arises as to why Anaconda, earning over $20 a share, is selling under $90 a share.

The answer is three-fold. In the first place there has been heavy liquidation of Amalgamated stock by foreign investors since the war began. Naturally this selling was bound to be reflected in the prices of the operating company—Anaconda.

Secondly, as pointed out earlier in the article, Amalgamated before its dissolution was no longer the market leader of days of yore. And, thirdly, there is a widespread, if not generally expressed opinion in copper circles, that the present abnormal price of copper is the result of abnormal conditions. It is not a copper boom founded on such a trade expansion as 1906-7 saw; it is rather an artificial boom which blossomed with no one to predict its coming. And the fear that underlies the present situation may be summarized thus: Is not the present boom in copper likely to subside as quickly as it has arisen if the war should end?

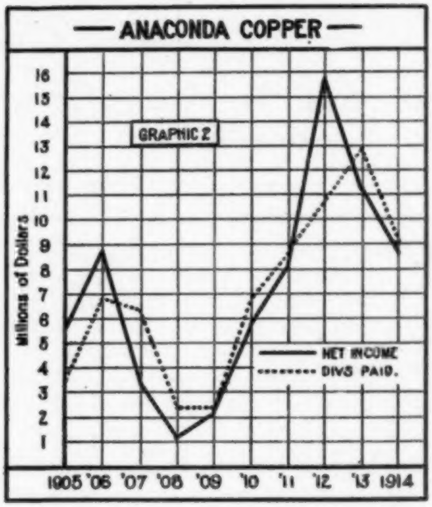
That is the secret of why the copper stocks have not responded proportionately to the rise in the price of copper metal. As long as the war continues

When to Buy the Coppers

The time to buy copper stocks, however, is when the metal is selling around 11c. a lb., not when it is selling around 25c. Excessive copper prices have always meant a greatly stimulated copper production, and therefore 1916 is likely to show a new high record of output. When production overtops consumption the inevitable result is a declining copper market, but just when that will occur is any one's guess.

The Outlook

Meanwhile Anaconda is enjoying prosperity such as it never enjoyed before. Its production and the price of the metal are both at high-water marks and earnings are as great, if not



greater, than at any other period in the company's history. Its new zinc producing plant, which cost $2,000,000, and which should be ready to operate by next September, has an estimated capacity of 72,000,000 lbs. per annum. The results of the operations of the Andes Exploration Co., controlled by Anaconda, have been so satisfactory that three companies with a total authorized capitalization of $105,000,000 have been organized to develop the Potrerillos copper property in Chile. It is understood that this property already has 75,000,000 tons developed of ore averaging 1.8% with larger tonnages in prospect. So much for the far-distant prospects for Anaconda.

It would seem that a continuance of the present rate of earnings will mean something in the way of either larger dividends or extra dividends in the near future. In fact the gossip of the Street mentions an extra distribution for the March directors' meeting.

All in all, then, the stockholders of Anaconda have considerable to be thankful for. The only fly in the cup is the uncertainty in regard to the metal situation. If Anaconda's stockholders could be certain that copper would sell at an average of 20c. a lb. for the remainder of this year they could not reasonably ask for more.

The Position of 1916 in the Trade Cycle

An Analysis of an Unusually Complicated Situation—Looking Ahead

By G. C. SELDEN

FROM time to time during several years past I have contributed to this magazine articles dealing with the progress of the so-called "Twenty Year Cycle." Without going into details, the forecasts of general conditions made in those articles have proved substantially correct.

The subject is of particular interest now because we are at one of those doubtful points where the activity of trade may naturally be expected to be to a considerable extent dependent upon our position in the cycle.

The general theory of the twenty year cycle is pretty well known and almost universally admitted. The most important panics—in each case followed by business depressions of greater or less duration—have, in the United States, occurred in the following years: 1819, 1837, 1857, 1873, 1893, 1907 (?), 1914. A question mark is inserted after 1907 because it is still a matter of dispute whether the disturbance of that year should be classed as a "major" or a "minor" panic.

It will be noted that down to 1893 the intervals between these major panics were as follows: 18 years, 20 years, 16 years (this being the period in which the Civil War occurred), and 20 years. There were, of course, intermediate disturbances. These took place during the last half century, in 1861, at the outbreak of the Civil War; in 1884 and 1890; and in 1903. In 1903 the collapse was for the most part confined to the security markets, general business being but little affected.

Those who cling most strongly to the belief that the interval from one main panic to the next is likely to be about twenty years, place 1907 in the category of minor panics along with 1903, 1890 and 1884. There are others who believe that 1907 must be rated as a major panic, and that it ended a cycle only fourteen years in duration, from 1893 to 1907. This would be shorter than any previous cycle—even shorter than the period which included the Civil War. Since the period from 1893 to 1907 contained no such tremendous disturbance of trade as the Civil War, the presumption is against any such shortening of the cycle as would limit it to fourteen years.

The graphic herewith showing liabilities of failures yearly since 1860 affords a good illustration of the cyclical swings. The advocates of the twenty-year theory outline the course of the typical cycle about as follows:

First, following the major panic, a slow recovery (1873-74; 1893-95).

Second, a relapse (1875-78; 1895-96).

Third, a period of prosperous business and rising prices (1879-82; 1897-1902).

Fourth, an intermediate disturbance, generally due to over-extension (1883-84; 1903).

Fifth, recovery and still greater speculative activity than before, but accompanied by some degree of business inflation (1885-89; 1904-06).

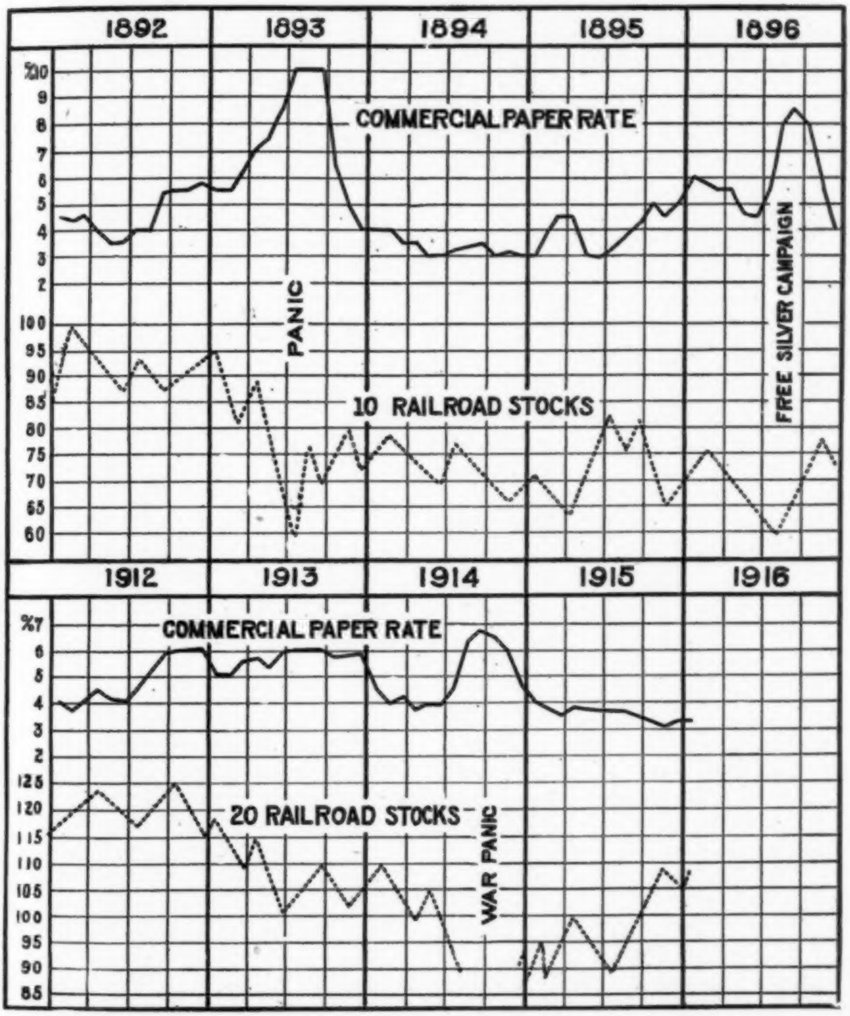
Sixth, a financial collapse, due in a general way to over-speculation but usually precipitated by some striking event (Baring failure, 1890; unsound banking conditions, 1907).

Seventh, renewed activity, but not equal to that preceding the last collapse (1891-92; 1908-09).

Eighth, a tiring-out period, during which business men struggle against adverse conditions, followed by a major panic (1892-93; 1910-14).

Those students of the subject who place the above interpretation on the recent movements of trade usually as-

sert that we were ready for the major panic in 1913, but that it was checked and alleviated by the free use of the emergency currency—the law authorizing such currency not having been on our statute books in previous panics—



with the result that the latter half of the normal panic was left over to occur in 1914 at the outbreak of the European war.

Perhaps this is trying to put too fine a point upon the matter. It cannot be successfully proved that there is any exact yearly correspondence between one major cycle and the next. The general swing of the cycle is necessarily modified by current events. But that there is a broad tidal movement of business covering approximately eighteen or twenty years is accepted as a fact by probably 95 per cent. of those who have studied the subject.

Where Do We Stand Now

If we attempt to fit this theory to current events, we are met by the tremendous influence of the European War, a cataclysm which is entirely outside of any natural trade movements. The war without question caused the acute panic of 1914—though it does not seem probable that we should have enjoyed any very high degree of prosperity in that year even if there had been no war. The war is the principal cause of the great revival of 1915-16—though we were about due for some kind of a revival anyway and would doubtless have had at least a feeble one without the war.

It is easy to imagine that without the influence of war the conditions of 1913 to 1915 would have been decidedly similar to those of 1893 to 1895. At least there would have been no striking contrast between the two periods.

If we tentatively accept the above hypothesis, then the recovery of 1915 would correspond roughly to the moderate advance which occurred in the fall of 1895; or to put it in another way, the war demand has turned a normal rally into a real prosperity swing. After 1895 the relapse came promptly in 1896, and it was not until the latter half of 1897 that a more permanent improvement set in. The "free silver" campaign marked the bottom of the relapse and the passing of a new tariff law gave the fillip which started us on the up-grade again.

If we assume that our position in the trade cycle is now about the same as twenty years ago, the logical conclusion is that we shall suffer a sharp relapse from our war boom in 1916 or 1917. It would not be possible to be any more definite than that because of the very important influence of current events in modifying the course of the cycle. This relapse would be followed, after an interval, by a gradual and more permanent advance.

Comparison of Money Rates and Stock Movements

Two excellent indices of general financial and business conditions are found in the commercial paper rate and average price of railroad stocks. Industrial stocks are more affected by special considerations so that they do not afford as good a guide over a period of years as the railroads. This fact was especially noticeable during 1915, when the war demand caused wild advances in the prices of many industrial stocks.

The second graphic with this article shows the movements of commercial paper and railroad stocks month by month from 1892 to 1896, in comparison with the years 1912 to 1916.

If we eliminate the war bulge of 1914 in the paper rate, we see that there is a certain broad conformity in the two periods, so far as the interest rate is concerned. The rate did not rise as high in 1913 as it did in 1893 because emergency currency was available in the latter period and not in former. The low rates of 1894 and the first half of 1895 were repeated in 1914 and 1915, with the exception of the war influence.

The second half of 1915, however, showed no advance to correspond with that of 1895. This continued ease of money is largely due to the new Federal Bank law.

The movement of railroad stocks is surprisingly like that of twenty years ago, except that the war carried the market relatively lower in 1914 than in 1894. The downward movement and ensuing depression was somewhat longer in 1912-15 than it was in 1892-95. Since action and reaction tend to be equal in the stock market as everywhere else, we are probably warranted in drawing from the above fact the conclusion that the bull market of 1915-16 may last longer and extend further than that of 1895—and the very low interest rates now as compared with 1895 also point to the same conclusion.

Special Influences

The most important special influences in 1916 will be the continuance or non-continuance of the war, and the Presidential campaign. As to the first, we can only say that so far there seems to be no indication that the war will end this year. While the Allies have suffered many reverses on land they are far from beaten, and they have

complete control of the sea. So far as we have information on this side, it is hard to imagine conditions that would put them out of business in 1916, and it is equally hard to see how the Teutons could become exhausted this year.

And if the war continues, the demand for our goods must continue, though doubtless not in so large volume or with so great urgency as heretofore.

The influence of the war, then, so far as we can estimate it, will be toward preventing during 1916 such a relapse as we had in 1896.

As to the effect of the Presidential campaign, it is now too early to form definite opinions. As things stand now, President Wilson's candidacy is not likely to have any bearish influence. On the Republican side it would seem that almost anything might happen. If the Progressives could not win in 1912 it hardly seems likely that they can do so in 1916, since there has been no improvement in their position in the mean time.

1916 Likely to Be Prosperous

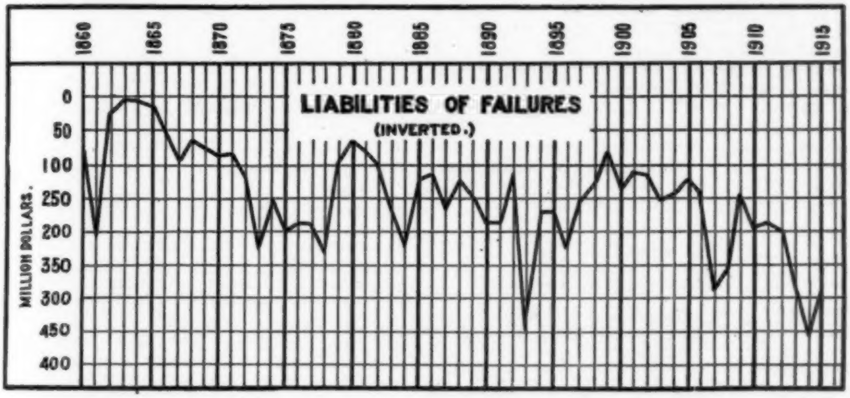
The probabilities are greatly in favor of a prosperous year throughout 1916. This would be likely to mean reaction in 1917, according to the customary course of things. How great and prolonged a reaction would depend on many circumstances, some of which can be foreseen only dimly and others not at all.

It has been generally assumed that the great destruction of capital involved in the European War must react upon the United States as well as on the nations directly concerned. We are now beginning to see, however, that there is at least a possibility that the consequences for this country may not be so serious as at first thought. We have loaned, all told, about a billion dollars abroad, and we have taken back, and are still taking back, a very large quantity of our securities previously held in Europe; but a considerable part of this capital is returning to us in the form of profits on war orders.

Our investors are now showing reluctance to place their money in foreign bonds. Before the war the capital of the world constituted a single pool. Now a barrier has been put across the pool, so that our side of it may rise very much higher than Europe's side. Some foreigners are sending their money to America for safety or to dodge taxation, and this movement may become much greater after the war is over.

We can see, therefore, a possibility—though as yet perhaps hardly a probability—that when the war does come to an end America will be found to have permanently annexed a larger share of the world's commerce.

Even such conditions would not completely obviate the reaction which naturally follows a "war boom," but they might reduce it to the minimum and prevent it from being followed by any lasting trade depression.



MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"No Re-distribution of Wealth"—Marshall

"If anybody has imagined that I am in favor of a redistribution of the wealth of the United States, it has been a vain imagining," writes Vice President Marshall in a letter to *The Annalist*. "I am not opposed to the accumulation of money, and I have never had any controversy with the man, who made honest dollars. There are many men in the Republic whose dollars are as clean as my pennies, and I know of no earthly reason why they should be compelled to divide with me.

"If the ill-gotten wealth of the country could be clearly ascertained and taken from those who dishonestly obtained it, and if it could be returned to those from whom it was obtained, and if all this could be accomplished by statute, I would undoubtedly be in favor of its enactment. But to put all the good and the bad dollars of America together and redistribute them indiscriminately would constitute just as much of an evil as can rise to the people from present conditions."

* * *

"Better Day for Railroads"—Kahn

THAT vital question of what American railroads need and how to meet that need is discussed in its broad national aspects by Otto H. Kahn in the February number of *World's Work*. Mr. Kahn considers both the causes and effects of the present situation of the railroads, and indicates measures which might be taken to remedy its obvious evils.

"The conflicts and the storms which have raged around the railroads these many years," he says, "have largely subsided. Abuses which were found to exist, though it is fair to say that for their existence the railroads were by no means alone to blame, have been remedied and their recurrence made impossible. The people's anger has cooled and, though some politicians still sound the old war-cry, many indications tend to show that the people desire to have the railroads fairly and justly dealt with, exacting and expecting from them a reciprocal attitude, treatment, and spirit."

* * *

"Slump in Exports Coming"—Redfield

IN a memorandum to the President, on prosperity, Secretary Redfield of the Department of Commerce says that "it is alike impossible and undesirable" that the present great export trade, amounting to more than $5,000,000,0000 in one year, should continue after the war is over. The nations of Europe, he says, are now spending their capital in the United States and the drain upon them cannot continue. But he looks for prosperity to continue in a smaller degree as a result of purchases to be made by Europe in the reconstruction processes and domestic purchases of domestic products. In his memorandum he refers to "the false doctrine of American in-

"ALL EUROPE IS LAUGHING AT US"—NEWS ITEM.
—*Bradley, in Chicago Daily News.*

ability to complete, and the provincial dread of transactions outside our own borders." He adds that if this "false doctrine" continues to control American enterprise, the United States may react to its former position of third nation in the exporting business. Thus, by inference, he attacks the protective tariff policy which seeks to protect the $34,000,000,000 annual domestic trade, arguing that this "false doctrine" will be blamed by the Democratic party for the impairment of the $5,000,000,000 export trade, which, he says himself, cannot be maintained even under the most favorable circumstances.

* * *

February's Dividend Payments

THE *Journal of Commerce* says:

"This month investors will receive the sum of $131,234,153, representing dividend and interest disbursements. In February a year ago the amount was $120,934,567. Interest payments will call for $65,500,000, against $59,000,000, the enlarged total being due to new bond and note issues. Dividends will furnish $65,734,153, an increase of $3,799,586.

"Industrial companies will pay out $33,762,832, an increase of $3,117,248.

A summary of the February dividends with comparisons for the same month a year ago follows:

	1916	1915
Industrials	**$33,762,832**	**$30,645,584**
Steam railroads	**27,857,321**	**27,377,221**
Street railways	**4,114,000**	**3,911,762**
Total	**$65,734,153**	**$61,934,567**

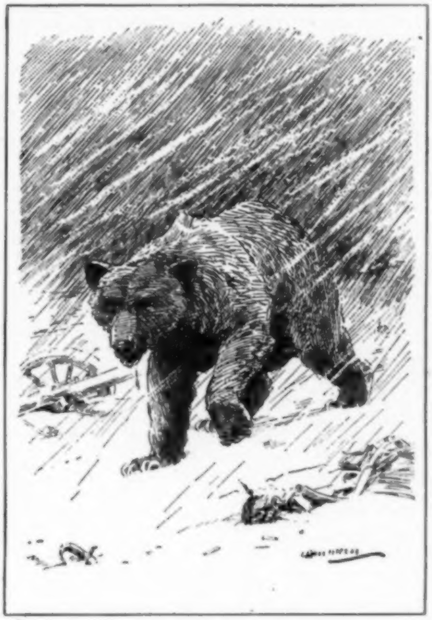
* * *

Foreign Selling of U. S. Steel Stocks

STATISTICS compiled by the U. S. Steel Corporation show that 46% of foreign holdings of preferred and common stocks of that corporation have been liquidated in 21 months:

Foreign holdings of United States Steel common stock last year declined from 1,193,064 to 696,631 shares, a recession of 41.6 per cent. In the same period the preferred stock owned in foreign countries receded from 309,457 to 274,588 shares, a loss of slightly more than 11 per cent. The record of individual countries shows that in all which held more than 2,500 shares of common at the beginning of 1915, there was extensive liquidation.

The foregoing may shed some light as to why Steel common has not sold higher in the face of a resumption of the 5% dividend rate and record earnings.



The Promise of Winter.
RUSSIA—"MY SEASON, I THINK"
—*Punch, London.*

Nation Growing More Thrifty

A CANVASS made by Eugene Lamb Richards, Jr., New York State Superintendent of Banks, and covering about forty States, shows that there was an increase in deposits last year of more than $61,000,000, divided among the various sections of the country as follows:

	1915	Increase.
New England	**$1,571,917,283**	**$28,795,758**
Eastern States	**2,263,557,862**	**8,820,611**
Southern States	**89,601,167**	***7,999,314**
Middle West States	**546,697,118**	**16,998,752**
Western States	**17,499,620**	**5,573,121**
Pacific States	**509,432,979**	**8,925,234**
Total United States	**$4,997,706,013**	**$61,114,164**

***Decrease.**

The number of depositors of the 2,159 institutions represented in the tabulation increased from 11,285,755 in 1914 to 11,462,011 in 1915. The decrease which the South alone shows, is of course explainable by the severe business conditions obtaining there last year.

"Co-operation of Capital with Labor" —Rockefeller, Jr.

JOHN D. ROCKEFELLER has added to the reputation which he possesses as an economist and an individual interested not only in the oligarchy of wealth wherein he was born, but also in the problems and well-being of the proletariat. In a remarkable article in the current issue of the *Atlantic Monthly,* he lays down the new doctrine of co-operation between labor and capital. We quote briefly:

The interests of Capital can no more be neglected than those of Labor. At the same time I feel that a prime consideration in the carrying on of industry should be the well-being of the men and women engaged in it, and that the soundest industrial policy is that which has constantly in mind the welfare of the employees as well as the making of profits, and which, when the necessity arises, subordinates profits to welfare. In order to live, the wage-earner must sell his labor from day to day. Unless he can do this, the earnings of that day's labor are gone forever. Capital can defer its returns temporarily, in the expectation of future profits, but Labor cannot. If, therefore, fair wages and reasonable living conditions cannot otherwise be provided, dividends must be deferred or the industry abandoned. On the other hand, a business, to be successful, must not only provide to Labor remunerative employment under proper working conditions, but it must also render useful service to the community and earn a fair return on the money invested. The adoption of any policy toward Labor, however favorable it may seem, which results in the bankruptcy of the corporation and the discontinuance of its work, is as injurious to Labor which is thrown out of employment, as it is to the public, which loses the services of the enterprise, and to the stockholders whose capital is impaired.

* * *

Making Money in Wall Street

THE man who makes money in Wall Street is the one who finds out things for himself, says "Jasper" in *Leslie's Weekly.* How can he do this in the same way that he calculates the speculative value of anything, from a piece of real estate to a tub of butter? Many a good housewife will attend a "bargain sale" to buy things not absolutely needed at present, but to put away for future use because they seem to be cheap. Many a man buys a piece of real estate not because he wants to move into the house, but because he thinks, from his knowledge of it and its surroundings, that it will some day bring a high price and yield him a good profit.

So in the stock market. The successful men are those who keep their eyes open for opportunities. For instance, when the war opened and the demand for sugar was instantly disclosed by the rise in the price of that commodity, experienced operators of Wall Street began to buy American Beet Sugar Common. It had sold, when it paid dividends, at over 70 and it had dropped when dividends were suspended to less than one-third of this price. Those who bought it from $30 a share upward realized a handsome profit, for they were able to sell it at twice that figure. And for the man who can look far enough ahead other handsome profits are waiting.

"I'VE HAD ENOUGH OF IT!"
—*The Evening Sun.*

Lines to a Cotton Bale

You are anything but cute
In your ragged coat of jute
And the heavy ties of tin
That securely bind you in,
But the best of us admit
That you are the mighty "It."

When I back you with my cash,
Bing! the market goes to smash,
But when I am counted out
Then it hits the upward rout,
And I can but murmur "Damn!
What a blasted fool I am!"

—Whitney Montgomery, in the Wonalancet Way.

Tremendous Growth of the Automobile

ACTIVITY in the motor stocks, which rivalled that in the "war brides" perhaps pointed as well as anything could, to the financial communities, what strides the automobile has been making in the last few years. There are many who believe that over-production and inflation now exist or are near at hand in the motor car industry. Without attempting to answer this question, Earnest A. Stevens in *Country Life* in America has drawn an excellent picture of the growth of the business which now ranks fourth among American industries, as indicated by the tabulation published herewith:

"Looking at the position from another angle, we find that this year the American factories will turn out approximately eleven automobiles for each one which was manufactured throughout Europe during the twelve months immediately preceding the war.

Ten Years of American Automobile Production.

	Cars Built	Total Value
1906	34,000	$62,900,000
1907	44,000	93,400,000
1908	85,000	137,800,000
1909	126,500	164,200,000
1910	187,000	225,000,000
1911	210,000	262,500,000
1912	378,000	373,000,000
1913	485,000	425,000,000
1914	515,000	485,000,000
1915	703,500	523,464,000

"Yet another reason why high-water mark of a million cars will be reached (in 1916) is the fact that the markets of the world are open to us and to us alone, despite the imposition of restraining tariffs and the difficulties of transportation; but the last and best reason is that this year brings the motorist face to face with more new types and models than it has ever been his lot to view before, and these at prices reduced to a point which would have been almost unbelievable a few short months ago."

* * *

Making Money Grow

HEREWITH is published a table compiled by the Boston News Bureau showing the results of the investment of $100 a year in the stock of Chicago & Northwestern Railway since 1890, the assumption being that all dividends and "rights" were similiarly re-invested. The hypothesis is that the $100 each year was invested at the average price of the stock for the year. A number of years have been omitted to save space.

THE BLOW THAT ALMOST KILLED FATHER
—*The World.*

	Amount Invested	Value of Savings	Average Price of Stock
1915	$2,600	$6,738	134.5
1914	2,500	6,103	131.3
1911	2,200	5,528	145.1
1908	1,900	4,451	156.1
1905	1,600	4,315	222.1
1902	1,300	3,226	234.1
1899	1,000	1,751	159.2
1896	700	761	100.9
1893	400	418	105.3
1890	100	100	109.5

* * *

Bond Buying Time

Sentiment among the larger bond firms is optimistic, says *The Financier* editorially. The impression seems to be that now is a good time to buy bonds. Translated, this may have several meanings. Primarily investment houses are urging their clients to buy because of belief that prices later on will be higher, and income less. The bond market does not always run in grooves parallel with quotations on stock securities. When the demand for money slackens, or to put the matter in another way, when the supply of money is far in excess of reasonable requirements as it is now, idle capital seeks safe investment even on a low return level. Good bonds therefore have a habit of going up when the stock market goes down, or encounters a period of stagnation or uncertainty.

Expert Opinions Differ Among Bankers and Brokers

Hayden, Stone & Co.—At the risk of being tiresome, we must also repeat, that this market is a barometer; it does not register what has been or what is, but is constantly divining the future. The productive capacity of this country today is probably employed to its maximum; the plain English of this is, that manufacturing concerns are earning all they possibly can earn which, in turn, is simply another way of saying that the most effective ammunition of a bull market, viz.: the looking forward to, and discounting of, constantly increasing earnings, has been fairly well exhausted.

Warren W. Erwin & Co.— Whether, as some financial writers think, the war bull market culminated last November we do not pretend to know. There are so many uncertain factors that prognosticating is now unusually hazardous. While we are rather confident that some classes of stocks have turned downward, permanently, we are almost equally confident that other classes of stocks will soon begin again to advance. In a general way we may say that the stocks of companies that control the sources of materials, supplies and products that are in very great demand will go higher while the stocks of most other classes of corporations will now, or soon, work to lower levels.

Laidlaw & Co.—As a whole, the action of the general list failed to verify the predictions of those who thought that favorable action by the directors of the Seel Corporation would result in a resumption of the general upward movement. The effect of that action, however, has been a wholesome one and should exert a stimulating influence with investors.

E. & C. Randolph.— Some bankers believe the foreign liquidation is not far from an end, and it may be that it is now less carefully handled.

Richardson, Hill & Co.—With some factors in the situation drawing our security markets along the line of least resistance in the direction of inflation and over-speculation, occasional words of warning from influential men are salutory, but almost superfluous, as national banking interests are keeping such a steady rein on their loan accounts that there seems no danger whatever of a weakened credit situation.

Baruch Bros.— The stock market displays a lack of ability to respond to favorable news. Failure of the U. S. Steel developments to stimulate prices contributed largely to the general depression witnessed, though adverse influences can also be found in the continued foreign liquidation and uncertainty in connection with the possible creation of labor troubles in the railway and industrial situation. It is only natural that more or less labor agitation should arise from time to time in a country so industrially prosperous as the United States is at present. The decision of coal miners to continue work during a period of negotiation, however, suggests the probalility that serious trouble in this connection will be avoided when the adjustment of labor demands on a large scale is finally reached this Spring.

THE STRONGER THE ARM THE FIRMER THE HAND.
—*Brooklyn Daily Eagle.*

F. A. Schirmer & Co.— The recent decline in prices of the speculative war stocks has probably sufficiently strengthened the technical position to warrant a resumption of the bull movement in the whole market. A very large number of weak accounts have been either sold out or reduced to a point of comparative strength, and as these stocks have gone from weak into strong hands, it is a fair presumption that banking interests will now be more in sympathy with efforts to bring about activity on the up-side.

Tucker, Hayes & Bartholomew.—All the signs point to the railroad shares as the center of interest in the next period of market activity. We can only counsel a continued conservative position.

J. S. Bache & Co.- The prices of today prevail in a period when foreign and domestic buying is in great volume and business is making large profits. The outlook is for a continuance, perhaps long continuance, of these conditions. Whatever may be the temporary movement in prices, it is fair to assume that in time further advances will ensue.

J. Frank Howell & Co.—American securities are the safest and best today. An investor who chooses wisely cannot possibly place his money to better advantage than in our high class seasoned securities. We have outgrown the period of "infant industries," and our leading industrials are lusty enough to stand by themselves.

Money and Exchange

Phenomenal Expansion of Credit—Foreign Exchange Rates Steady

WHILE there is no reason to expect any material rise in money rates for months to come, we are witnessing something novel in the previous history of the markets of America in that the banks are bringing about liquidation in stocks without any change in the money rate. Judge Gary's words of caution a month or more ago evidently expressed the feeling of an important part of the banking fraternity. Bankers have concluded that we were going ahead too fast and they have taken time by the forelock in their determination to prevent inflation.

A study of the returns of the New York banks during the past year shows plainly enough that the action of the bankers has been amply warranted. Taking the banks alone (since the trust companies were not included in the Clearing House until 1911) we find that there had been no increase in the general level of either loans or deposits from the close of the year 1908 to the end of 1913. Aside from minor fluctuations the totals of both loans and deposits remained substantially the same throughout the entire period of five years.

In 1914 a slight rise was recorded but not enough to have any special significance. But beginning with January, 1915, the upward movement was very marked. The increase in loans since that date has been almost 50 per cent. and the increase in deposits over 60 per cent.

Going back to the level that was maintained for five years, 1908-1913, we find that loans are now almost 75 per cent. higher than in December, 1913, while deposits are over 90 per cent. higher.

In the meantime the amount of cash held by the banks has not only not risen in proportion, but has in fact risen scarcely at all. The present level of cash holdings was reached as early as August, 1908, within a few million dollars. It was reached again in February, 1912, and was exceeded in May and June, 1914.

In brief, the deposits of New York banks have nearly doubled and the loans have risen 75 per cent. while cash holdings have gained but slightly from the level maintained during the years 1909-13.

Under any ordinary circumstances there would be no hesitation in calling this inflation. At present, owing to the many unprecedented features of the situation, one hesitates to use that word. The new banking system has reduced reserve requirements without weakening the position of the banks, and our tremendous sales of goods to Europe as a result of the war have greatly strengthened our trade position. Our big gold imports have given us a larger gold base for credit expansion, even though the gold has not been held in the vaults of the New York banks.

Nevertheless, such an extraordinary expansion of credit as is represented by the above figures is enough to give pause to conservative banking interests and without doubt this is one of the principal reasons why the banks have sought to check the rapid growth of speculation. Their action will have a most healthful effect toward restoring more normal conditions.

Paul M. Warburg, of the Federal Reserve Board, struck the keynote in his recent address at New York when he said: "I believe that it should be impressed upon all the banks that, rain or shine, they should under present conditions continue to keep their reserves far in excess of the present legal requirements, and that they should not forget that, on balance, this year they will have to pay into the Federal Reserve system roughly $110,000,000, and that if the old standard of reserve requirements were in force today the reserves now shown would be reduced by about $500,000,000."

This is the sort of advice the banks have been acting on in regulating their loans on stock exchange collateral.

Sterling exchange is now around 4.76, just above the gold import point under present freight and insurance rates, by sales of our securities from abroad.

BONDS

Investing in Foreign Exchange

Opportunities for Profits the Foreign Exchange Situation Offers—Long-Pull Operations Necessary—An Unprecedented Situation Presenting Unusual Possibilities.

By SIEGFRIED STRAUSS

(The abnormal foreign exchange situation has opened up a new avenue for speculative investment such as is not likely to be again presented for years to come. The investor should remember, however, that in buying exchange on a foreign nation he is committing himself to an expression of belief in the solvency of that nation and its ability to eventually pay 100 cents on the dollar. His position is, however, much stronger than that of the person who buys a bond of belligerent nation as the purchaser of foreign exchange buys actual money, while the bond purchaser buys securities which are subject to market fluctuations. The bond purchaser may not only lose by a further decline in exchange, but also by a decline in the quoted price of his bonds. The purchaser of foreign exchange can only sustain a loss by a decline in the rate of exchange.—Editor.)

Foreign Exchange is supposed to be a field reserved for big financial institutions, and the public has a very limited knowledge of Foreign Exchange transactions. In ordinary times the fluctuations in Foreign Exchange are comparatively slight, but the war, which is now eighteen months old, has changed conditions in the Foreign Exchange markets of the world fundamentally. In ordinary times a rise or a drop of less than 1% in the quotation of pound sterling, mark, franc, etc., is the immediate cause of the export or import of sufficient quantities of gold to bring the quotation back to normal level. At the present time the New York quotations for the currencies of the great European countries show enormous discounts, ranging from 2 to 42%. The usual remedy, viz., the shipments of large quantities of gold from the belligerent countries of Europe to the United States, is made impossible, as Europe refuses to part with gold. Table I shows the New York quotations for the currencies of the seven most prominent European countries: New York quotations for demand drafts on January 22, 1916.

It is of course a foregone conclusion that we shall not see normal quotations until after the war. In the meantime, we may see ups and downs, but the American public must not overlook the fact that the huge discounts, at which European currencies are now quoted, are the results of the unusually heavy export trade of the United States to Europe, and of the refusal of Europe to part with gold. The quotations do not express the intrinsic value of foreign money. Countries like England and Germany, and perhaps France, are of such financial strength that even the tremendous cost of this war cannot break them. Their paper money is at present backed by a gold reserve of more than 33%. Russia, Austria and Italy are comparatively weak countries from a financial point of view, but the present quatations of 42, 37 and 27% discount respectively for their currencies, are undoubtedly far too low. *It is, therefore most likely that an American investor who puts his money in Foreign Exchange will make a very profitable investment.*

TABLE I

UNPRECEDENTED FOREIGN EXCHANGE SITUATION

Pound sterling	4.76⅝	2 %	discount
Franc	5.86⅝	13.2 %	"
Mark	.74⅝	21.4 %	"
Kronen	12.65	37.4 %	"
Lire	6.60	27.3 %	"
Ruble	29.45	42.7 %	"
Florins	.43⅝	9.2 %	premium

The nation that will prove victorious in this war, is likely to exact an indemnity, thus strengthening its financial power. The American prospective

investor in Foreign Exchange should, therefore, pick out the currency of the country whose victory he regards as most probable. A fact, which would recommend the Teutonic currencies, is the English blockade of Germany and Austria.

Profits After the War

It is possible that the exchanges of the belligerent nations will recover during the war, but the cautious investor should figure upon a rise after the war. Estimating that the war will last another year, is certainly conservative enough; as a matter of fact it is quite likely that the coming summer will bring the end. Allowing, however, for another year of war in Europe, the American investor will have to figure a 5% loss for interest, because he cannot invest his money in sixty or ninety day drafts; the New York banks sell at present only demand drafts. *The American investor in foreign exchange should go to his bank in New York and buy a demand draft on Berlin, Paris or London,* and keep the draft in his safe. He can reduce the loss in interest by sending the draft to a bank in Berlin, Paris, etc., thus opening a deposit account with the foreign bank, which will allow him about 2% interest per annum. But even then the American investor will have to allow for a loss in interest of at least 2½ to 3%, and as pound sterling is quoted at a discount of 2% only, an investment in *English exchange will not prove profitable. An investment in marks and francs will probably bring a very handsome profit.* Investing in Kronen, Ruble and Lire should bring huge profits, but here the cautious investor should not forget that these countries have not the financial strength of England and Germany, and will take a longer time to recover.

The Case of Holland

A most peculiar situation has arisen in regard to the Dutch exchange, which is quoted at a premium of over 9%. This inconveniences American as well as Dutch traders greatly, and the United States is trying hard to bring Dutch Exchange to a normal level. The natural remedy to send gold from New York to Amsterdam, cannot be applied because England is afraid that gold sent to Holland might reach Germany. England, therefore, practically prohibits gold shipments to Holland. At present there are negotiations pending between the Bank of the Netherlands in Amsterdam and a large bank in New York, looking towards a deposit of gold in New York for account of the Dutch bank which could regard such gold deposit as part of its gold reserve. If such negotiations should succeed, florins are bound to drop to their normal level, but in any case, the present high price of Dutch Exchange in New York cannot keep up for any length of time. Here is a good chance for the American investor. *The American investor should go to his broker in New York, and give him an order to sell—let us say—100 Steel common in New York and buy 100 Steel common in Amsterdam.* One hundred Steel sold in New York at 84 can be bought in Amsterdam at little over 76. There will be a small loss in interest, as the interest to be paid in Amsterdam has to be allowed for, but such a transaction should return a certain profit of at least 6 points in a few months.

TABLE II

24,000 marks sight Berlin, 74⅞	$4,492.50
15,000 francs sight Paris, 5.86⅝	2,557.00
15% margin on purchase 100 Steel Amsterdam	1,500.00
15% margin on sale 100 Steel New York	1,500.00
	$10,050.00

Table II shows how it is possible to invest $10,000 on a conservative basis, and at the same time allow the investor excellent prospects of very satisfactory profit within a short time. On the return of normal exchange conditions the investor of $10,000 will have a gross profit as follows:

13% on the francs	$330
21% on the marks	945
8% on the 100 Steel	800
	$2,075

Making due allowances for brokerage, interest, cables, etc., the investor should net at least 15% on his money.

Railroad Reorganizations, Do They Pay the Investor?

Some Notable Examples of Successful Refinancing—Points the Security Holder Must Consider.

By CHAS. H. JONES

(Few of the present generation realize that most of the present great railroads of the country at one time or another underwent the throes of reorganization. Security holders who participated in many of those reorganizations were amply rewarded. The following article by Charles H. Jones is of especial interest at this time when railroad reorganizations are very much the order of the day.—Editor.)

IN a majority of cases it pays to go along with a railroad reorganization. The more radical the readjustment of the capitalization, the more sound will be the property reorganized, and the quicker the appreciation in the value of new securities.

Some Notable Examples

Those who held the bonds of the Atchison, Topeka and Sante Fe, the Union Pacific, Northern Pacific or Reading railroads when these great systems were reorganized about 20 years ago, were as unwilling as perhaps some of the Kansas City, Mexico and Orient Railroad bondholders are now to make the exchange of securities offered. It has been proven, however, that in cases where the terms of the reorganization were accepted the growth of the territory along each road has made the value of the old stocks and bonds deposited greater than anyone then dreamed of.

Union Pacific

For instance, Union Pacific stockholders paid an assessment of $15 a share and were given new stock that sold in 1909 at 219 and has already paid dividends equal to $120. Then the holders of the old Union Pacific 6s received first mortgage and land grant 4 per cent. bonds, par for par, and a bonus of $500 in 4 per cent. preferred stock. The bonds have sold as high as 106¾ and the preferred stock at 118½ and has paid nearly $70 a share in dividends. At their best these new issues would make the old 6s worth 156 and today, after the past few years' shrinkage, their relative value would be nearly 140.

Did it pay Union Pacific security holders to go along with the reorganization? The answer is that it did.

Take another example, this time from the eastern railroads. The Reading made its common stockholders pay an assessment of $20 a share. For this it gave them par for par in new common. This common has sold at $180 and has paid $70 a share in the last ten years in dividends. The Reading had two series of income bonds, interest payable as earned only. For the first incomes first and second preferred stocks were given which have since had a total market value of $112 a share. The first preferred has been earning its dividend from 7 to 14 times over, and the second preferred from five to nine times. The second incomes prospered even more than the firsts as they were given a proportion of new common in addition to second preferred. Their subsequent value, on the basis of the market appraisal of exchanged securities, was nearly $1,600 for a $1,000 bond.

It cannot be laid down as a general rule that it pays to go into all reorganizations of railroads, since there are failures as well as successes. But where the property is fundamentally a good one and where the reorganization is thorough and honestly conducted, it usually pays the security holder to stand by his property instead of taking an immediate and sometimes very heavy loss which may result from remaining outside of the reorganization fold.

Bond Inquiries

Bond Investment

W. J. E., Lancaster, N. H.—You have the correct idea in regard to investing your money, that is, to purchase a variety of securities rather than to concentrate on any one. All the securities you mention have merit and we see no reason why you should not hold them for investment purposes. Rather than increase your holdings in any of these, however, we suggest that, when you are in a position to purchase more for investment, you take on some other securities. We suggest the following:

Southern Pacific convertible 5s.
N. Y. Central convertible 6's.
American Locomotive pfd.
Baldwin Locomotive pfd.
American Beet Sugar pfd.
Pierre Lorillard pfd.
Pressed Steel Car pfd.
Central Leather pfd.

Amer. Writing Paper 5's

E. W. H., Richmond, Va.—With the improvement in general business, we should expect higher prices for American Writing Paper 5's. But in buying same you must expect a readjustment of the company's capitalization, which, doubtless, will involve a scaling down of the par value of the bonds, or the rate of interest which they bear.

$100 Bonds

K. H., Westbury, N. Y.—For $100 bonds we suggest Anglo French Government 5-year 5's at about 95; American Steel Foundry 6's, yielding about 5½%; or the Lackawanna Steel Company first consolidated gold 5's of 1950 yielding over 5%.

The Aberdeen Light & Power Company 6's of 1931 are probably safe, but the issue is very small and they would be correspondingly hard to market if you desire to sell.

Virginia-Carolina's 6's

E. C., New York City.—Virginia-Carolina Chemical earnings are showing good advances. This company is making large profits from the sales of sulphuric acid. A good demand for fertilizer is expected next year. There appears to be no good reason why the ending of the war should particularly benefit this company. After the war the company will not be able to make as large profits from sulphuric acid sales. The convertible 6's can be considered a fairly safe investment. The company has always shown the interest earned with a substantial margin to spare. They are due May 15, 1924. After October 15, 1916, they can be retired at 102 and interest. These bonds are convertible up to October 15, 1922, at option of holder, into preferred stock at 110. If called for redemption the holder has the right to notify the company of his intention to convert the bonds into stock at the next interest payment date.

Central Powers Bonds

Z. R. K., Chicago, Ill.—The coupons of the bonds of the Central Powers are payable at the rate of exchange at the time of payment and will be cashed by various agencies in this country 10 days before they are due. We do not know what arrangements the Chicago houses make. The holders need not cash the coupons for 6 years and we would suggest holding the coupons until such time as the rate of exchange may advance. As regards the desirability of the bonds as an investment, of course it must be considered that the nations are at war and the issue is still in doubt. There is, therefore, a certain amount of risk attached because, if the Central Powers are crushed, the position of these bonds would be an uncertain one.

Anglo-French Bonds

H. S., Canal Dover, Ohio.—In regard to Anglo-French Bonds, the fact must be taken into consideration that the war is by no means over nor is there any definite idea as to when it will end or who the victors will be. There is a certain element of risk, therefore, in these bonds which could be eliminated by purchasing, say, the first mortgage bonds of American rails, or high-grade municipal issues.

Farm Mortgages

G. A., Augusta, Me.—In regard to farm mortgages, especially those that pay a return on the money invested as high as 8% it is essential that you are personally familiar with the security, or that you have entire confidence in the people who recommend it to you. An investment that pays as high as 8% is likely to have considerable risk attached.

Evansville & Terre Haute 6's

R. M. D., Philadelphia, Pa.—Evansville & Terre Haute Railroad Co. 1st consolidated 6's at 90 yield considerably over 6%. They are a first mortgage on 146 miles from Evansville to Rockville, Ind., with branches, at about $20,500 per mile, and have been assumed by the Chicago & Eastern Illinois Railroad Co. They underlie about 4½ millions of general 5's and refunding 5's. The Chicago & Eastern Illinois Railroad Co. is at present in the hands of a receiver, having shown increasing deficits for the last three years. Default has been made on Evansville & Terre Haute refunding 5's, and the general 5's and some of the branch line bonds, but all of the last coupons were paid by the reorganization committee, of which John W. Platten is president. While these bonds may be perfectly safe, we would not suggest buying into a reorganization of this character. They are, however, a direct first mortgage and may not be disturbed.

PUBLIC UTILITIES

Brooklyn Rapid Transit

New Subway Lines and Their Probable Effects on Dividends —Public Service Commission—How B. R. T.'s Financial Position Has Improved—The Outlook.

By ROBERT S. PIERSON

AMERICAN public utility corporations have thrived despite political attacks and the heavy handicaps saddled on them by government regulating bodies. The fact that it is becoming less popular to harass public service companies does not correct past abuses. The new spirit of reasonable regulation, however, should revive confidence of public utility stockholders in the future.

Nowhere in this country is this hostile attitude toward gigantic corporations more clearly demonstrated than in Brooklyn — the City of Churches.

New Line in Southern Queens Showing Type of B. R. T.'s New Elevated Construction

There the Brooklyn Rapid Transit in two decades welded together seventy separate trolley and elevated lines in one transporation system, despite vigorous opposition from city authorities, the courts, the legislature and dissenting minority stockholders.

But, as illustrated in B. R. T., while the era of attacking corporations has passed into one of regulating them, this change is probably due more to the fact that in the larger cities the feeble fragments are now safely gathered together in one strong unit, than to any real change of heart among our lawmakers and other public officials. For where the politicians have failed to prevent consolidation of financially weak companies they are now bending strenuous efforts to control the new combinations.

How B. R. T. Grew

Incorporated in January, 1896, the Brooklyn Rapid Transit took under its wings a varied collection of transit lines, including horse car railroads, cable railroads, electric railroads, steam railroads, successful railroads and bankrupt railroads.

Today the lines controlled by it spread fan fashion into all the outlying districts and afford Brooklynites an economical and rapid transit service. And with the

improvement in transportation facilities the earning power of the company has steadily increased.

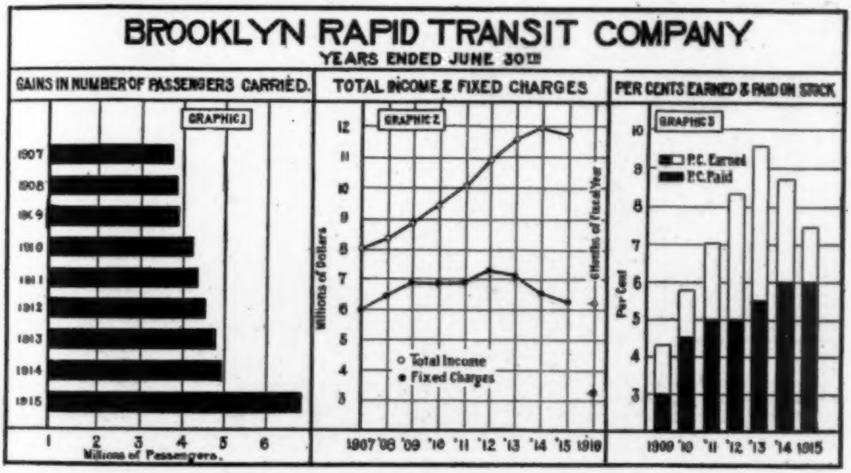
On top of political interference, the Brooklyn Rapid Transit has had to grapple with transit problems more difficult than existed anywhere in the United States. The Old Long Island Traction Co., and other roads now in the B. R. T. system, made a serious initial mistake in building car lines in sections practically barren of residents. Naturally the operation of such lines was unprofitable, regardless of the exorbitant fares charged.

Brooklyn Rapid Transit Co. overcame this obstacle by the simple process of widening the nickel fare zone. It cost 21 cents from Park Row to Jamaica in 1893; now it is 5 cents. The fare to Coney Island was 35 cents; today it is 10 cents and five cents under certain conditions. In 1893 the longest ride, without changing cars, was six miles; today it is fourteen. In short, the two million residents of Brooklyn and Queens, in a municipal area of some 80 square miles, now enjoy a transit system as convenient and efficient as the old lines were unreliable and incapable.

In the process of concentration many investors who put their money in the old Brooklyn transit companies not only received no dividends, but in some instances lost their principal. On the other hand the present B. R. T. stockholders are receiving a fair return on their investment, 6 per cent. now being paid, and their principal is not only safe but is gradually growing larger.

The company's stockholders have doubled since 1913, numbering 3,709 in that year and now standing at 8833. This significant increase shows the company is finding favor with a greater number of people and illustrates a better feeling toward public utility corporations than existed even a few years ago.

Over half a billion nickels were taken in by the company in the 1915 fiscal year, almost 600,000,000 cash passengers being carried on Brooklyn surface or elevated lines. In 1907 only 375,000,000 passengers were carried. In Graphic No. 1 the gains in the number of passengers carried for a series of years is shown.



Financial Position

For the first time in a decade, and the second time in the company's history, Brooklyn Rapid Transit in 1915 failed to show an increase over the preceding year in net income. The 1915 net was \$11,906,020; for 1914, \$12,015,469. The gross revenue increased from \$25,558,250 in 1914, to \$26,427,687 in 1915. This improvement in gross was due to the inclusion of the Coney Island & Brooklyn Line earnings for the entire year, whereas in the 1914 report only six

months' figures of this subsidiary were included.

There has been a marked decrease in fixed charges the last few years. In 1914 and 1915 they were almost as low as in 1907, which was $6,026,387. From that figure they steadily climbed until in 1912 fixed charges were $7,221,260, the highest on record. In 1914 this figure was $6,699,764 and in 1915, $6,393,459.

The company's surplus for 1915 was $5,512,561, compared with $2,162,609 in 1906. A study of the table showing gross, total net income, fixed charges and surplus makes clear how the company has strengthened its financial position in recent years. A declining fixed charge figure and a growing surplus are symptoms of a healthy financial condition.

Expenditures in 1915 for construction, new equipment, upkeep, etc., was $16,-461,565. Capital expenditures in 1905 were $5,596,811. This was exclusive of taxes and bond interest charges, which in 1915 aggregated $6,393,459. In the years from 1905 to 1915, both inclusive, $75,366,647, a sum equal to the company's entire capital stock, was put back into the properties. The bonded indebtedness of the company is $120,-909,089.

The report for the first half of the current fiscal year showed a gratifying increase in both gross and net. Gross was $14,048,444, an increase of $440,684 over the same period in 1915 and net revenues of $6,331,835 was $246,000 more than the previous year. The surplus for the half year was $3,341,533, an increase of $244,541. For the 6 months 4½ per cent. was earned on the capital stock.

New Eight-Car Subway Train Operated by B. R. T.

Dividends and New Lines

The important factor in connection with dividends is what effect new lines now under construction will have on the company's earning power. While the actual margin of safety over present dividend requirements is not large, indications are this margin will not be seriously endangered by the company's expansion.

Earnings for the 1915 fiscal year were helped very little by the new lines in which B. R. T. is a joint partner with the city. Less than one-third of the company's earnings came from these lines included in the agreement with the municipality. Over two-thirds of the road's earnings came from the operations of its surface lines, which are not pooled with the city.

In fact, earnings of these lines the past fiscal year were $325,725 less than the total income to which the B. R. T. is entitled. In 1914, the deficit was $219,687, making an accumulated deficit of $545,-

413, which the company is entitled to receive out of future earnings of these lines before the city will draw ny returns.

Officials of the company estimate returns on the enlarged dual system can hardly be more than sufficient to cover interest requirements, after fixed charges, for the first five or six years following the completion of the work. This work will not be finished until 1918. Therefore the company's earnings probably will not be materially swelled by income from these new lines for a decade at least. But, if current earnings are maintained the dividend now being paid will be secure during this period.

Brooklyn Rapid Transit's initial divi-

distant residential sections with the business center of the city.

Of the total cost of $165,000,000 the city contributes $100,000,000 and the company the remainder.

Up to the first of January, 1916, approximately $43,000,000 had been expended by the B. R. T. At the end of the 1915 fiscal year, June 30, $30,010,859 had been spent on this work. This money was provided by a $60,000,000 5 per cent. gold note issue, dated July 1, 1912. The N. Y. Municipal Railway Corp., the construction subsidiary of the B. R. T. is building the new subways and a sample of its work can be seen in the accompanying picture.

OPERATING INCOME, FIXED CHARGES AND SURPLUS OF BROOKLYN RAPID TRANSIT CO.

1915-1907

	Gross Revs.	Operating Net Revenue	Other Income	Total Net Income	Fixed Charges	Surplus
1915	$26,427,687	$11,339,768	$566,252	$11,906,020	$6,393,459	$5,512,561
1914	25,558,250	11,469,735	545,734	12,015,469	6,699,764	5,315,705
1913	24,152,288	11,229,423	429,356	11,658,779	7,161,851	4,496,928
1912	23,226,550	10,523,860	408,622	10,932,482	7,221,260	3,711,222
1911	21,986,543	9,639,495	389,671	10,029,166	6,869,222	3,059,944
1910	20,979,515	9,058,850	353,807	9,112,657	6,909,622	2,503,035
1909	19,694,462	8,234,378	605,817	8,840,194	6,969,016	1,871,179
1908	19,870,567	7,701,207	677,824	8,379,031	6,534,939	1,844,092
1907	19,381,587	7,473,819	555,166	8,028,985	6,026,387	2,002,598

dend was in 1909, when 3 per cent. was paid. This has been gradually raised until in 1914 6 per cent. was paid. An interesting comparison of dividends earned and paid from 1909 to date is shown in Graphic No. 3.

New Subway System

When the new subways and elevated extensions are completed, Brooklyn will possess a transportation system equal to, if not surpassing that of any city in the world. The successful culmination of the dual system will forge the last great link in the transit chain that binds the

The Outlook

Considering Brooklyn Rapid Transit's earnings, which for several years have not been greatly above the 6 per cent. annual disbursement, the stock does not appear as an especially attractive investment or speculation.

At its present level of 87 it is yielding but 6.9 per cent. And with the extensive program of expansion the road now has under way, involving the expenditure of huge sums, considerable time is likely to elapse before the growth in traffic offsets the present large outlay for new construction.

"A MAN'S learning dies with him; even his virtues fade out of remembrance; but the dividends on the stocks he bequeaths to his children, live and keep his memory green."—*Holmes.*

Public Utility Inquiries

Philadelphia Co.

C. G., Wilmington, Del.—Philadelphia Company common stock pays 6% per annum, and the new cumulative preferred pays 6% per annum. The preferred stock dividend is earned several times over and can be regarded as a reasonable safe investment. For the year ended March 31, 1915, the company earned 8.89% on the common stock.

Quincy Gas & Electric

A. N. E., Helena, Mont.—The Quincy Gas & Electric Company, first mortgage gold 5's, of which there $600,000 outstanding, are underlying bonds of the Quincy Gas, Electric & Heating Company of Quincy, Ill. The company furnishes gas, electric light, power and steam heat, and does all the street lighting in Quincy, Ill., under franchises which are said to be perpetual. The population served is said to be about 50,000. The company is operated by the National Gas, Electric Light & Power Company through ownership of the entire capital stock of the Quincy company. Separate earnings are not available, but National Gas, Electric Light & Power Company shows rather small net earnings.

Federal Light & Traction

S. P. N., Middlebury, Vt.—Federal Light & Traction 5's and Wisconsin-Edison 6's are fairly good public utility bonds. The following named bonds we consider to have still greater margin of safety and their yield is more than 5% on the money invested.

Interborough Rapid Transit 5's,
Central Leather 5's,
Brooklyn Rapid Transit 5's.

United Public Service

K. H., Westbury, N. Y.—The United Public Service Company is comparatively a new corporation and, while the bonds may be a good investment, the amount outstanding is so small that they cannot be considered a marketable investment.

Western Union

A. H., New Albany, Ind.—Western Union has scored a very considerable advance and we do not think it can be considered in the light of an investment at present prices. It is a "war stock" in a sense, as it is getting very high rates for cable messages because of the war.

Atlantic Power & Light

T. C. F., De Land, Fla.—Atlantic Power & Light preferred stock is a fairly good public utility issue, and dividends are reasonably secure. The common stock, however, is a very long way from dividends, and do not recommend its purchase.

Pacific Gas & Electric

F. E. T., Malone, N. Y.—Pacific Gas & Electric recently declared a stock dividend of 6% payable to stockholders of record June 30, 1915—3% payable July 15 and 3% payable December 15, 1915. If you were a stockholder of record June 30 you should have received these dividends. Earnings of the company are showing good increases and we consider the stock an attractive speculation.

A. T. & T.

T. B. P., Boston, Mass.—In regard to American Telephone & Telegraph, we are of the opinion that this company has gone through its worst period in the scaling down of its rates. This company is very efficiently managed and new economies are being continually inaugurated. We are inclined to the belief that in the future the ratio of expenses to earnings will not show a very much further increase. The company is now earning $15,000,000 over dividend requirements, and this is after charging off most liberally for maintenance and depreciation.

N. Y. Railways

J. C. F., Syracuse, N. Y.—New York Railway's earnings are showing good gains, and it looks as though the full 5% may be paid on the adjustment bonds for this year. We consider these bonds an attractive speculation at present prices.

Cities Service Preferred

E. R. W., Albany, N. Y.—Cities Service preferred stock, in our estimation, can be considered an excellent public utility investment. This company is earning this dividend with a very substantial margin to spare.

Chicago Elevated 4's

P. S. D., New Windsor, Ill.—Chicago Elevated 4% gold bonds are a first mortgage on all the lines of the company and all buildings, structures and equipment. They can be considered a first-class security.

Louisville Gas & Electric

A. D., Hackensack, N. J.—We are familiar with both the Louisville Gas & Electric first refunding 6's and Northwestern Electric first 6's, and we know of no reason why you should not exchange your Louisville Gas & Electric 6% bond for a Northwestern Electric 6% bond. The latter are a first mortgage on a prosperous company serving electricity in a portion of the city of Portland, Oregon. The company is believed to be well managed and its bonds were originally marketed by one of the largest and best bond houses after a very thorough investigation.

Notes on Public Utilities

Adirondack Electric.—NEGOTIATIONS for consolidation of company with certain General Electric power properties are under way. On Nov. 30 last company had $461,000 cash on hand.

American Cities Co.—Showing encouraging increase in earnings. Balance available for dividends for 1915 estimated at about $650,000 or 3.16% on pfd. Talk of restoration of former 6% pfd. dividend rate.

American Gas & Electric. — SUBSIDIARIES of company continue to report increases in earning. Combined net of properties for October, 1915, was 19.1% larger than October, 1914.

American Light & Traction.—INCOME ACCOUNT for year ended December 31, 1915, shows $4,555,156 against $3,714,960 for 1914, and net earnings of $5,021,764 against $4,275,088 for the previous year. Balance after preferred dividends, cash common and stock common dividends, totaled $902,302 against $463,156 for the previous year. Company earned 24.61% on the common stock.

American Tel. & Tel. — PRESIDENT VAIL estimates 1915 gross earnings of Bell System at $240,000,000. In 1914 gross earnings were $225,952,123.

American Railway Co.—DECLARED regular quarterly dividend 1¾% on preferred stock.

Brooklyn Rapid Transit.—IN SIX MONTHS ended December 31 company earned 4.48% on its $74,520,000 stock, compared with 4.15% in same period in 1914.

Chicago Railways.—DECEMBER earnings of Chicago Surface Lines showed 5% increase over same month in 1914 and January, 1916, figures to date are 6% ahead of January, 1915.

Columbia Gas & Electric.—ESTIMATED company will show big increase in 1916 earnings.

Cities Service.—COMBINED earning of subsidiaries for year ended Nov. 30, 1915, were $22,082,187, increase of $2,988,524, or 15.65% over a year ended Dec. 31, 1914. Earnings on common stock were 15.27% against 11.28% in 1914.

Consolidated Gas.—EARNINGS for 1915 were 8.52% on $99,816,500 stock, compared with 7.13% previous year.

General Gas & Electric.—REPORTED increase of 10% in 1915 gross earnings. Regular quarterly dividend of 1¾% on preferred stock was paid Jan. 3.

Interborough Rapid Transit.—DECEMBER gross passenger business increased $165,083 over December, 1914.

Interborough Consolidated.—REPORTS for seven months ending Dec. 31, 1915, shows total income of $4,444,829 and surplus of $2,034,090.

Lehigh Valley Transit.—DECLARED quarterly dividend of 1¼% on preferred stock. Last dividend declared was 2½%, on Oct. 26, 1915.

Virginia Railway & Power.—DECEMBER gross was $503,448, increase $59,797, and surplus was $137,335, an increase of $40,663.

Great Western Power Co. of Calif.—PETITIONED Calif. Railroad Commission to use proceeds of ten-year 6% debentures, recently sold, to buy $4,998,000 stock of City Electric Co. for $3,000,000 and $849,000 Great Western Power first mortgage 5% bonds for $764,100, and to buy from New York bankers $1,050,000 City Electric bonds for $945,000.

Keystone Telephone.—REPORTS gross earnings of $1,361,754 for year ended Dec. 31, 1915. Net was $682,170 and surplus $361,013.

Massachusetts Gas.—COMPANY'S 5,000 common stockholders received $1.25 stock dividend Feb. 1.

Public Service of New Jersey.—DECEMBER gross increase $345,889, or 10.8% over December, 1914.

Philadelphia Rapid Transit.—GROSS in December was $2,213,472, increase of $138,950.

Philadelphia Company.—EIGHT months' report ended Nov. 30, 1915, shows surplus of $1,683,262 available for dividend.

Pacific Gas & Electric.—REPORT for 12 months ended Dec. 31, 1915, shows surplus of $4,212,766 available for dividend.

Pacific Light & Power.—AUTHORIZED to issue $4,000,000 6% general mortgage convertible bonds and $4,120,000 7% prior preference stock by California Railroad Commission.

People's Gas.—PRESIDENT COWDREY said 1915 annual report will make a good showing, considering all conditions and circumstances. He admitted business was not yet normal.

Toledo Railways & Light.—COMPANY'S business improving due to industrial activity in Toledo.

U. S. Light & Heating.—REPORTED company has taken large orders for batteries from Willys-Overland and Ford Motor Co.'s.

RAILWAYS & INDUSTRIALS

Louisville & Nashville

Good Prospects for Resumption of 7% Dividend Rate—Present Earnings and Outlook—Effect of Panama Canal Traffic—Investment Position of Stock.

By FRED L. KURR

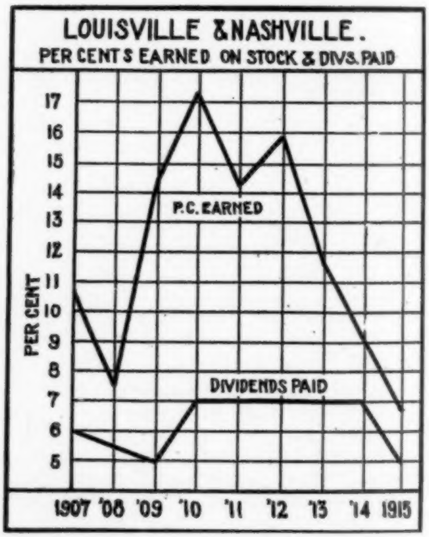
HAS Louisville & Nashville good prospects of coming back? Here is a road whose stock is at present selling lower than the lowest points touched since the depression following the panic of 1907 up to the outbreak of the European war. The company's stock has always sold at rather a high price as compared with the dividend paid, the reason for this being that a conservative dividend policy has been followed by the management, thus putting the company in a strong enough financial condition to tide over almost any period of depression.

The directors of Louisville & Nashville could have easily stretched a point December a year ago and continued the dividend at the rate of 7%. As it turned out, the road for the year ended June 30, 1915, earned 6.75% on its stock, so that in order to have paid the 7% it would have had to draw on its profit and loss surplus only to the extent of about $200,000. In view of the fact that profit and loss surplus as of June 30, 1915, amounted to $40,998,117, it would appear that this small amount could have been extracted therefrom without bringing down any possible criticism that the management had departed from its well known conservatism. At the time the dividend was reduced to 5%, however, the outlook was a very uncertain one.

Present Earnings

Current earnings are running far ahead of last year and if no unforeseen unfavorable developments occur Louisville & Nashville the current fiscal year will probably earn in the neighborhood of 12%. In view of the strong financial condition of the company and the excellent physical condition of the property, there appears to be no good reason why the dividend should not be restored to its old rate of 7% when the directors meet to act on dividends next May. That is, of course, provided nothing happens between now and then to cloud the present bright outlook for the road.

That the Louisville & Nashville management keeps its road in apple pie order



it is only necessary to dig up some of its maintenance statistics to prove. For the last ten years the company has spent on maintenance of way and structures an average of $1,743 per annum per mile of road. This compares with $887 per mile for the Atlantic Coast Line, $1,039 for the Southern Railway and $890 for the Seaboard Air Line. The same holds true for maintenance of equipment,

Louisville & Nashville expending $2,036 per mile against $952 for Atlantic Coast Line, $924 for Seaboard and $1,331 for Southern Railway. L. & N. is with just cause considered one of the best equipped and managed roads in the country.

Louisville & Nashville as a Southern road is largely dependent on the prosperity of the South for good earnings. A year ago there was a poor market for the cotton crop and other products of the South. All this is now changed. Good prices prevail for cotton and cotton seed and the agricultural communities are prospering. With iron and steel mills running at capacity consumption of coal has been greatly stimulated. In view of the fact that over one-third of Louisville & Nashville's gross tonnage consists of bituminous coal, this increase in the demand for coal is of no small importance to that company.

The accompanying chart shows how conservative the management has been in the past in its dividend policy. In nearly every year the margin between the dividend paid and the surplus available for dividends has been large. This takes on added importance when the liberal maintenance policy is considered.

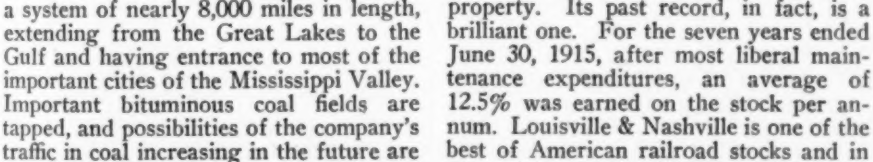
Future Possibilities

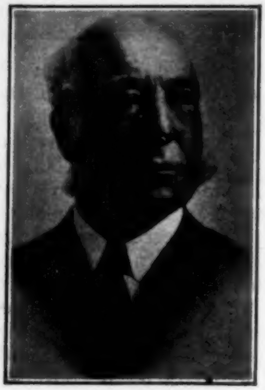
Few railroads in the country are better placed in regard to traffic possibilities. L. & N. and its dependencies comprise a system of nearly 8,000 miles in length, extending from the Great Lakes to the Gulf and having entrance to most of the important cities of the Mississippi Valley. Important bituminous coal fields are tapped, and possibilities of the company's traffic in coal increasing in the future are excellent. No road is better situated to benefit from the opening of the Panama Canal. Just what this benefit will amount to in dollars and cents it is impossible to gauge, but in time it should have a marked effect on the prosperity of the property.

Louisville & Nashville is capitalized at $252,685,660, of which $72,000,000 is stock and $180,685,660 bonds. In view of the large excess of bonds over stock outstanding, a small percentage change in net earnings causes a considerable change in the amount earned on the stock. This accounts for the big range in per cent. earned, as shown by the graphic. Capitalization per mile as compared with other roads of its character is conservative, being only $61,826. This compares with over $82,000 for Illinois Central and over $98,000 for Southern Railway. The company's balance sheet as of June 30, 1915, shows a net working capital of $14,680,740. Cash on hand totaled $9,894,133.

Position of Stock

As a 5% payer Louisville & Nashville at present prices of about 125 appears to be high. It will undoubtedly be put on a 7% basis shortly, however, if anything like normal conditions continue in the South. Even for a 7% railroad stock 125 is not an unduly low price, but in this connection it must be remembered that for years L. & N. has as a 7% payer sold on the average much higher than 125. This is because there are a great many firm believers in a brilliant future for this property. Its past record, in fact, is a brilliant one. For the seven years ended June 30, 1915, after most liberal maintenance expenditures, an average of 12.5% was earned on the stock per annum. Louisville & Nashville is one of the best of American railroad stocks and in view of the fact that it is now selling at a level well under its average for the past several years it is not unattractive as a long pull purchase.




Pres. Edward T. Bedford

Corn Products' Inheritance

Its Burden of Over Capitalization—Pulling Itself Out of Difficulties—Government Dissolution Suit—The Company's Export Business

BY A. NEWTON PLUMMER

INHERITING all the corporate sins of former glucose and starch combinations Corn Products Refining Co.'s fight to establish itself on a firm financial footing is one of the most illuminating and interesting chapters in the history of Big Business. Since its formation, or rather reformation, in February, 1906, when the old Corn Products Co. became the Corn Products Refining Co., it has been gradually pulling itself out of its difficulties despite the terrific burden of excessive capitalization under which it has been laboring.

Corn Products Refining Co.'s record the past decade, or since the present management came into power, has been as conservative and efficient as the old Corn Products regime was reckless and irresponsible. The story of how the first consolidation of glucose manufacturers capitalized $8,000,000 worth of plants at $40,000,000, squandered their working capital in dividend payments and reduced a $2,500,000 surplus to $2,000 in less than three years, is as absorbing as it is astonishing.

To appreciate just how the present Corn Products Refining Co. inherited all these blunders of the early days, and what has been done to rectify them, a detailed history is necessary.

Early Days of the Glucose Industry

Cicero J. Hamlin, a shrewd merchant, established the first extensive glucose plant in this country in 1873 at Buffalo, N. Y. It was from this original concern, afterward known as the American Glucose Co., that the industry owes its inception. The American Glucose Co.'s most important competitor was the Chicago Sugar Refining Co., which subsequently formed the nucleus of the first consolidation of glucose manufacturers.

A number of years passed, which were generally unprofitable except for one or two concerns. In 1897 the Glucose Sugar Refining Co. was organized, which took in the American Glucose Co., Chicago Sugar Refining Co., Rockford Sugar Refining Co., and three smaller companies. This combination was incorporated in New Jersey with $40,000,000 capital; $14,000,000 of 7% preferred and $26,000,000 common stock.

Here was where the first "water" was poured in the glucose industry, for most of the factories brought into the combination were poorly equipped and suffering from wear as the manufacture of glucose and starch involve rapid deterioration of plant and machinery. Probably the entire plants were worth from six to eight millions: and $40,000,000 of stock was issued against them.

Instead of reaping huge profits the Glucose Sugar Refining Co. met the severest competition. Unfortified by patents or private processes the combine was far from successful. Added

to this the business administration was not of the best, and further trouble developed over litigation, which cost in one year something like $1,200,000. During the first three years of its existence the company paid $5,100,000 in dividends. It was soon in a shaky financial position.

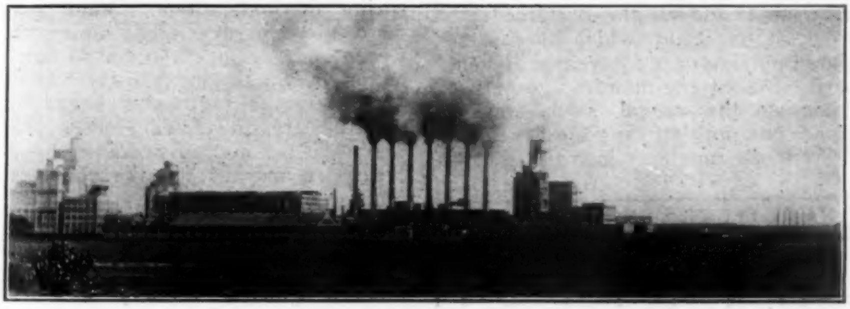
With the formation of the New York Glucose Co. in 1901 by a group of men closely allied with the Standard Oil Co., the Glucose Sugar Refining Co.'s cup of trouble overflowed.

The Second Merger

Seeing only trade pitfalls and financial burdens ahead the Glucose Sugar Refining Co.'s management, in 1901, began negotiations with all the other important glucose and starch manufacturer's looking toward a gigantic merger. But though a new combine, the Corn Products Co. was formed early in 1902, it failed to include the most important and best managed company, the New York Glucose Co. The Corn Products Co. had a capital of $76,000,000, of which $28,000,000 was 7% cumulative preferred and $48,000,000 common. Here again more "water" was added. The plants of all the merged companies had suffered from wear. Little money had been expended in maintenance and no adequate amounts had been set aside for depreciation.

The two most important companies in the combine, viz., the Glucose Sugar Refining Co. and the National Starch Co., were too heavily capitalized to ever expect dividend payments. The latter had $8,139,000 bonded indebtedness and was on the verge of bankruptcy. The Glucose Co., while slightly better, was not what might be called financially strong.

The first year's operations of the Corn Products Co. are illuminating. Gross earnings of $4,000,000 were shown, out of which $1,500,000 was paid in preferred dividends. Then four per cent. was paid on the $48,000,000 common, leaving a net surplus of some $350,000. Declaring dividends on such slim earnings could have only one result, and by the end of 1905 the company's surplus had dwindled to $2,510. It had taken only two and a half years to practically wipe out the Corn Products Company's entire surplus.



Corn Products' Argo, Ill. Plant—Half a Mile in Length

During this time the New York Glucose Co. was working along smoothly and showing fair profits on a capital of $2,500,000. It was much stronger financially than its unwieldy and inefficiently managed competitor, and was rapidly taking business away from the bigger concern. Conditions became so desperate that the Corn Products Co. again began to consider another merger.

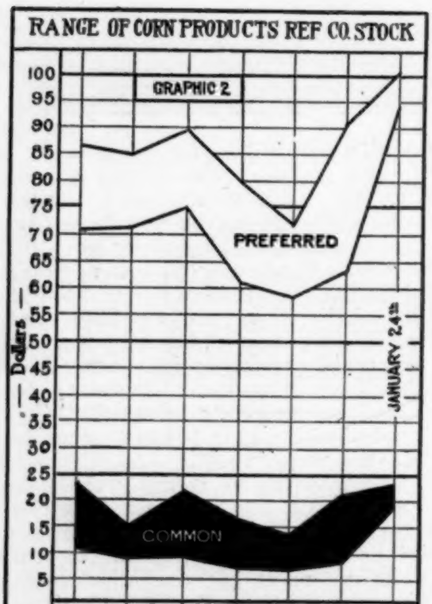
When terms of merging the Corn Products Co. and the New York Glucose Co. were discussed near the end of 1905, the management of the latter company made but one stipulation—that the old Corn Products Co. interests retire.

Formation of Present Company

Finally, in 1906, the Corn Products Refining Co. was formed by the two above-mentioned concerns, with the same capitalization as the old Corn Products Co. And with this combination came about a revolution of the glucose industry. How much Edward T. Bedford, the present directing head and president of the Corn Products Refining Co., had to do with dictating the terms of the merger is unknown, but the company was overcapitalized then and still is.

Mr. Bedford admits this and six years ago would have scaled down the common stock in a drastic manner had he been permitted to have his way. His plan was to eliminate four-fifths of the common stock. He desired to make the remaining one-fifth of common stock and all the preferred into stock of one class, which he contemplated putting on a 5% yearly dividend basis. About six months ago talk of trimming the capital stock was revived, but nothing tangible developed.

With the entrance into the glucose industry of E. T. Bedford, trained in the greatest school of business efficiency in the world—the Standard Oil Co.—things began to happen. But despite his expert business experience and conservative ideas, the company was saddled with an excessive capitalization and also heavy cumulative fixed charges. From the foregoing history it is evident that the business held out no hopes of great earning power and depended more on the efficient management of the industry—to produce a stable article at a low cost.



Mr. Bedford plunged into his work with a force unequalled by any previous management. He not only cut overhead charges, manufacturing costs and selling expenses, but he looked around for new fields. He was not content with his intensified manufacturing methods alone. Some years were spent in developing new ideas. Recently he went extensively into the manufacture of inexpensive candies and preserves, and also began the manufacture of refined glucose products, syrups, etc. By doing this he created a market for the company's glucose output.

Wherever possible the present management of the company has put back large sums of money in plants. A new modern glucose refinery has been erected near Chicago, partly out of earnings and partly from the sale of $5,000,000 of bonds. The glucose business has been concentrated at Chicago, Pekin and Granite City, Illinois, and at Edgewater, N. J. All the subsidiary and previously existing companies have been completely merged, except the National Starch Co.

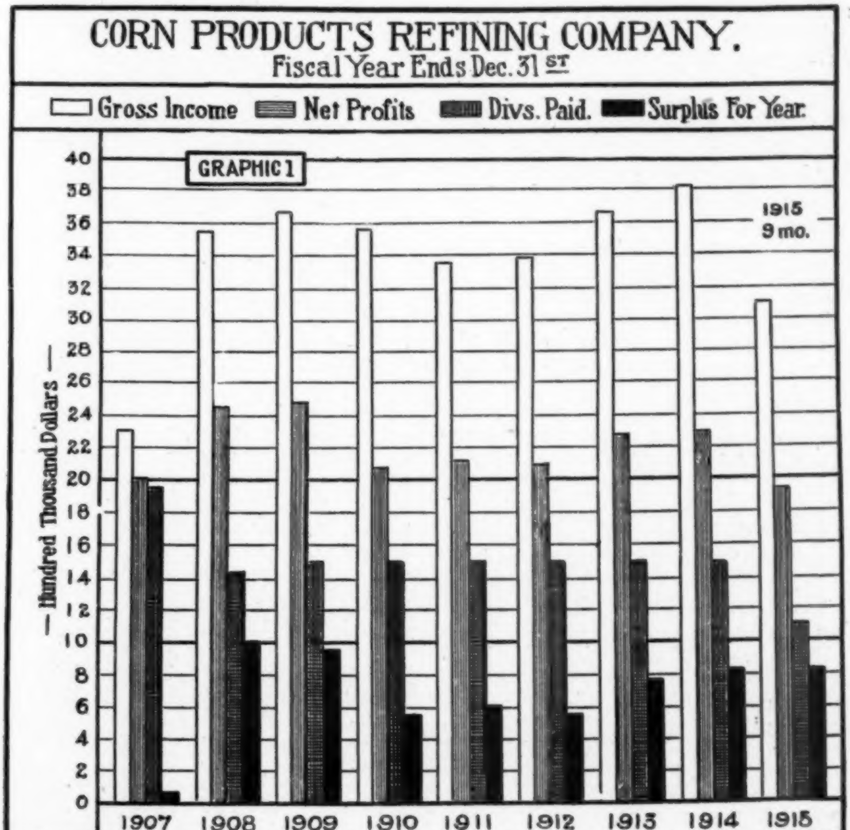
Company's Financial Status

The result of the Bedford regime in the Corn Products Co. is that the company is much stronger financially than at any time in its history. Current assets have steadily increased and its current liabilities as steadily decreased. Current assets in 1907 were $3,948,670; current liabilities $3,153,670. In 1914, the last full year report available, current assets had grown to $15,436,063

and current liabilities had slumped to $1,968,851.

In the same period working capital jumped from $795,000, in 1907, to $13,-467,212 in 1914, and the surplus from $41,540 to $8,677,304. The company's bonded indebtedness has increased, being now around $8,000,000, exclusive of $5,168,000 National Starch 5% debentures, which are guaranteed by the parent company. This new money has been put into the plants. If a plan of scaling down the capitalization is adopted it will greatly improve the status of the company's bonds. However, from present indications, nothing is likely to be done about this in the near future and it may develop that such a step may not be necessary.

The record of dividend payments by the Corn Products Refining Co. has been conservative. When it earned a dividend it paid it; when the dividend was not earned, full payments were not made. There is now 17 per cent. back dividends due on the preferred. In 1907, 7.49% was earned and 7 per cent. paid on the preferred. From 1908 to 1915, 5% was paid. During this period over 7% was earned yearly on the preferred. The preferred is now receiving 5% yearly in quarterly payments.



Government Suit

There is a well-grounded belief that the Government fell short of proving its case against the Corn Products Co.

The suit, which began in March, 1913, is now drawing to a conclusion. Expert witness summoned by both the Department of Justice and the company have filled many volumes with sworn testimony.

The crux of the case hinges on the allegation that Corn Products Refining Co. controls approximately 66 per cent. of the domestic and foreign trade in glucose and kindred products. The company declared at the trial, that it handled but one-third of the world's business in these products; that out of the yearly grind of some 110,000,000 bushels of glucose, grits, starch and flakes, it grinds approximately 35,000,000 bushels per annum; that out of the United States grind for similar products of 80,000,000 bushels, Corn Products business was less than 40 per cent. of the total.

Over one-third of the bulk of Corn Product's total annual business is in foreign fields. The development and maintenance of this branch of the business has been one of the most important factors in the company's growth.

Mr. Bedford declared that if the company was forced to dissolve it would mean sacrificing the foreign business as the original companies could not individually make any money in the export trade. It was only by concentration and economy of manufacture and selling, he pointed out, that the Corn Products Co. now makes a reasonable profit on its foreign trade.

As it is, Germany and Holland are serious competitors in products sold by Corn Products Refining Co., and would quickly grasp any business lost by the company should it be dissolved.

This Year's Prospects

Net earnings for this year should be about half a million dollars larger than in 1915, an official of the company stated to the MAGAZINE OF WALL STREET. This is based on figures already at hand, and indications are that what export trade was lost in those countries affected by the war, has been made up by new business obtained in other foreign fields. This increase in 1916 should mean between nine and ten per cent. earned on the preferred.

While the full year's figures for 1915 have not yet been compiled, the nine months' report showed $657,881 available for dividends, or 6.44% on the preferred, after deducting bond interest, depreciation and other fixed charges. In 1914 only 5.79% was earned during the same period. Full earnings for 1915 will probably show between 7 and 8 per cent. on the preferred. In 1914 7.7 per cent. was earned.

Extensive plans for a vigorous campaign in foreign fields are being formulated. President Bedford firmly believes there is a wonderful opportunity for American manufacturers in the next few years to make their mark in the international trading marts.

The recent rise of Corn Products preferred to 101 marked a new high for the stock and reflected the sentiment of the financial district regarding the favorable progress of the Government's suit against the company. The common also improved materially during the days Mr. Bedford occupied the witness chair at the anti-trust suit.

But these advances were largely professional movements, influenced by the Street's interpretation of the progress of the suit. Both issues are of a speculative character, and if President Bedford carries out his plans for scaling down the company's capitalization, the common stock will be largely reduced.

HE whose market commitments are based upon the rock of actual values, need never fear the waves caused by the ebb and flow of speculation.

American Tobacco Company

Why the Decline in Its Stock?—Is the Worst Over?—Dividend Outlook and the Company's Future Prospects

By M. FREDERICK LEWIS

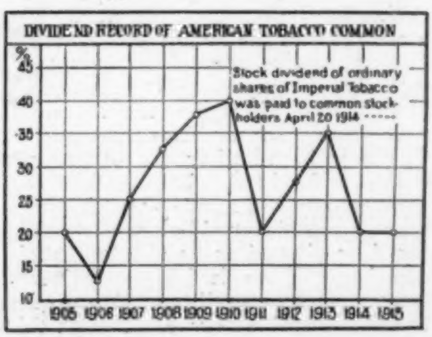
AMERICAN TOBACCO has had a good deal of attention centered upon it recently because of the very substantial decline the stock has had in the market. On April 22 the common touched its high for 1915 of 252½. From this point there was a steady decline until the low of 195½ on December 21 was reached. This is lower than the stock has sold in recent years and indicates a disbelief that the present dividend rate will be continued. It is true that the stock has recovered somewhat from this low price but at present levels of a few points above 200 it yields nearly 10% on the money invested. A decrease in the dividend from 20% per annum to 16% per annum would appear to be already pretty well discounted, as with the dividend rate 16% the yield at present levels would be close to 8%.

The dissolution of the old American Tobacco Co. ordered by the decision of the United States Supreme Court rendered May 29, 1911, accomplished all that it was hoped it would by the Government authorities. Competition between the several parts into which the monopoly was broken up has been most severe and as a result expenditures for pushing brands have greatly increased. Earnings of practically all the tobacco companies which were formerly a part of the trust, have felt the effects of this competition, and as a result 1914 earnings were considerably smaller than earnings the first year of the dissolution, which was 1912. On American Tobacco the burden fell the heaviest. In 1912 the company earned 30.42% on the common stock, in 1913 28.12%, and in 1914 21.04%. It is believed, however, by persons well informed in the tobacco trade, that the full effect of this competition has been felt and that earnings will show no further important shrinkages.

1915 Earnings

For 1915 it is estimated, and this estimate is borne out by the remarks of President Hill, that earnings will show up practically the same as for 1914. In 1915 American Tobacco received no dividend from the Imperial Tobacco Co., as the stock of this company was distributed to American Tobacco stockholders on April 20, 1914. One of the subsidiaries received a large war order and profits from this, it is said, were sufficient to make up the loss of revenue caused by the distribution of the Imperial Tobacco stock. If American Tobacco succeeds in covering its dividend requirements, it would be justified in maintaining the present rate, as its financial position is so strong that it can conservatively pay out all surplus earnings in dividends. President Percival C. Hill, in a recent statement, said: "While, of course, the year's figures are not completed, a preliminary estimate warrants me in stating that I think the dividend will have been fully earned for the year. And with our surplus of over $35,000,000, cash on hand of between $5,000,000 and $6,000,000, and with no borrowed money, I think the dividend action for the year has been fully justified."

Before this article appears in print



the directors will probably have declared the dividend, which is payable March 1. If the regular dividend is declared it depends altogether upon how profits for 1916 shape up whether or not the 20% rate will be continued hereafter. While the company is undoubtedly in a strong enough financial position to pay out all surplus earnings in dividends there are several interests in the company that would prefer to see the dividend earned with a bigger margin to spare. Unless profits in 1916 show a considerable increase it is believed in well-informed circles that a more conservative policy will be inaugurated at the close of the year.

was to some extent offset by a big increase in consumption of tobacco in the United States.

The American Tobacco Co. was incorporated in New Jersey October 19, 1904, as a merger of the American Tobacco Co. (incorporated in New Jersey in 1890), Consolidated Tobacco Co. and Continental Tobacco Co. May 29, 1911, the U. S. Supreme Court decreed that the company was in restraint of trade and a monopoly under the Anti-Trust law and ordered its disintegration. Under the plan approved by the Court the company disposed of all its interests in the licorice business, the tinfoil business, the snuff business and its interest in R. J. Reynolds Tobacco Co., Porto-Rican Tobacco Co., the British-American Tobacco Co., the Imperial Tobacco Co. (in 1914) and the United Cigar Stores. The American Tobacco Co. itself was broken up into three parts, the American Tobacco Co., Liggett & Myers and the P. Lorillard Co.

Panorama of "Bull Durham" Factory and Warehouses at Durham, N. C.

Severe Competition

The main tobacco business handled by the American Tobacco Co. before the dissolution, including the manufacture of all forms of smoking and chewing tobacco, is now in the hands of five companies, namely, the American Tobacco Co., Liggett & Myers Co., P. Lorillard Co., R. J. Reynolds Tobacco Co. and the American Cigar Co. The aggressive advertising campaign that these companies started almost immediately after the dissolution is well known to the American public. One new brand after the other was pushed and old staple brands which the old company had allowed to sell themselves were blazoned before the public for fear that they would lose their prestige. These lavish expenditures for publicity naturally cut into profits to a considerable degree, although this

Effect of Dissolution

After the dissolution the American Tobacco Co. retained the following volume of the tobacco business of the country: cigarettes 37.11%, smoking tobacco, 33.08%, plug tobacco, 25.32%, fine cut tobacco, 9.94%, little cigars, 15.43%. At the present time, however, the American Tobacco does not do as large a percentage of the country's business as in 1910, the year on which these figures are based. In cigarettes, for example, Liggett & Myers since its organization has enormously increased

the sales of its cigarettes, largely through the sensational Fatima brand, the largest seller of its kind in the world. American Tobacco has also increased its cigarette sales, having brought out Omar to compete with Fatima, and several other brands. Its cigarette sales, however, have hardly increased enough to have retained 37.11% of the country's business.

That American Tobacco's volume of business has been on the increase is shown by the company's gross sales since the dissolution. In 1912 gross sales were $67,950,257, as against $69,339,083 in 1914. In 1911, the year before the company was broken up, gross sales amounted to $101,943,189. The accompanying picture shows the factories and storage buildings of the company at Durham, N. C., where "Bull Durham," the biggest selling smoking tobacco in the world is made. In 1910, 22,887,346 pounds of this tobacco were sold having a value of $13,787,717.

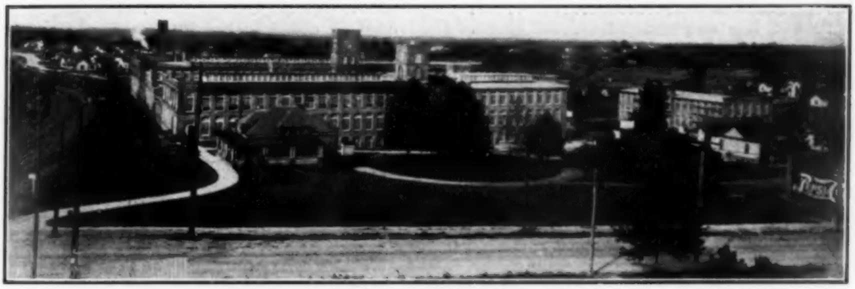
Financial Strength

The accompanying table shows the comparative balance sheet of American Tobacco Co. As of December 31, 1914, net liquid assets amounted to the large sum of $70,800,000, of which $41,074,349 was leaf tobacco, manufactured stock, supplies, etc., and $5,991,569 cash. It can be readily seen, therefore, that there is no necessity for the company further increasing its working capital. That the company in the past several years has maintained a liberal dividend policy a glance at the accompanying graphic will show. Part of the dividends paid in 1912 and 1913, however, were paid from the sale of certain assets and not from earnings. On Sept. 3, 1912, $20 was paid from sale of certain securities and on March 1, 1913, $15. On April 20, 1914, each stockholder received 360729-401824ths of a share of the Imperial Tobacco Co., par value $1.

Outlook for Future

What has the future in store for American Tobacco? Will competition increase and further reduce the earnings power of the company or has the worst effects of this been already felt? As we have already stated we believe the latter to be the case. Tobacco consumption in this country is decidedly on the increase and there is plenty of room for all the companies that are now in the field. American Tobacco has an efficient management with years of experience back of them, ample funds to take advantage of any opportunity that may present itself for further increasing its business and some of the most popular and profitable brands in the country. The issue of increased competition has been squarely met by this company and while it cost money to hold its end up in the advertising campaigns inaugurated, the result is that the popularity of the products of the company have not only not been lost but increased.

At present prices the common stock has probably discounted the worst



Cotton Mill at Durham, N. C., Where Cloth for Tobacco Bags Are Made

BALANCE SHEET OF AMERICAN TOBACCO COMPANY

(As of December 31)

ASSETS

	1914.	1913.	1912.	1911.
Real estate machinery, etc.	$6,222,830	$6,078,796	$5,216,243	$5,380,355
Brands, trade-marks, good will	54,099,430	54,099,430	47,259,106	45,026,225
Tobacco supplies, etc.	41,074,349	37,999,482	30,657,036	27,843,536
Stocks and bonds	20,801,674	20,823,908	31,305,171	47,526,723
Scrip	479,450	1,686,922	....	....
Liggett & Myers and P. Lorillard secur...	1,541,450	2,566,175	2,943,182	115,000,150
Cash	5,991,569	6,451,701	6,466,475	27,464,994
Bills and accts. receiv.	5,548,344	6,220,846	12,731,357	14,753,084
Due from subsidies	5,833,780	8,002,147	8,331,209	....
Totals	$141,572,896	$143,929,407	$144,910,094	$282,995,066

LIABILITIES

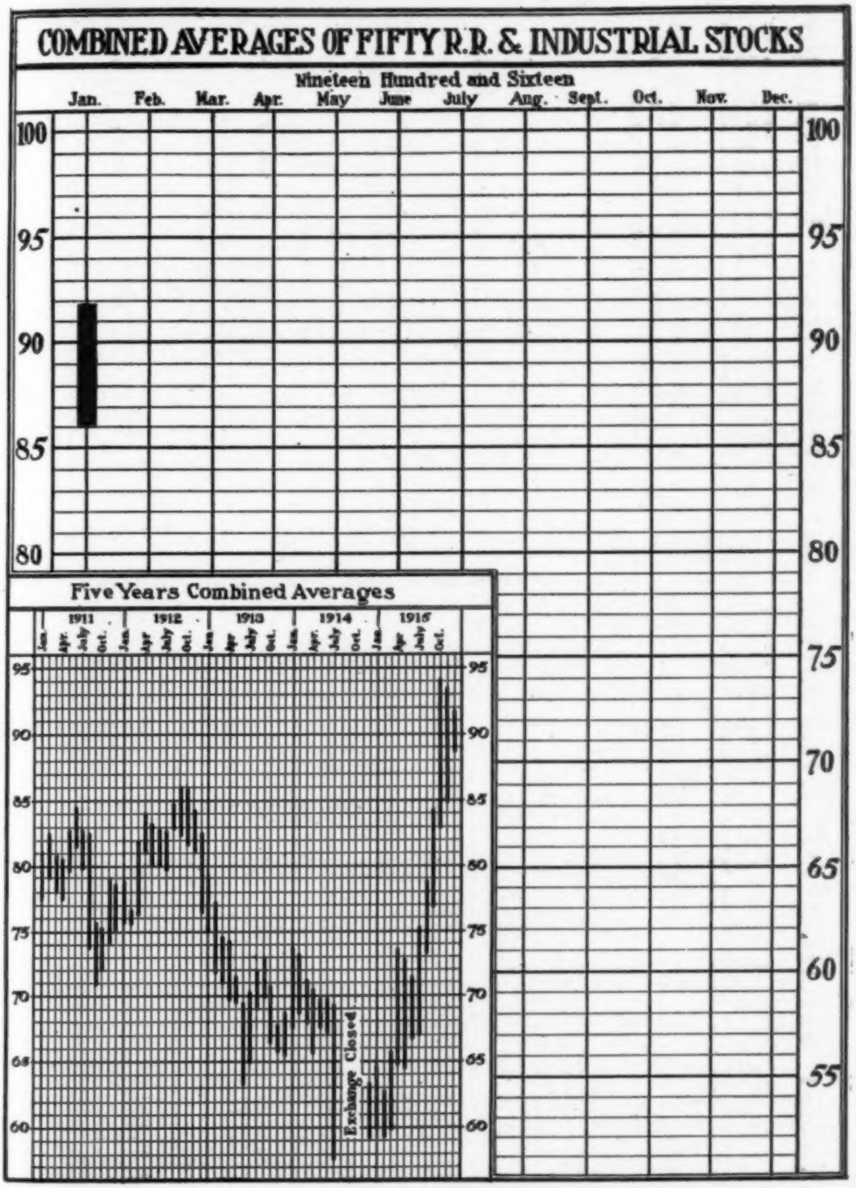
	1914.	1913.	1912.	1911.
Common stock	$40,242,200	$40,242,400	$40,242,400	$40,242,200
Preferred stock	52,761,200	52,838,600	52,937,200	78,689,100
Bonds	2,479,150	4,373,800	4,931,900	104,236,750
Current liabilities, etc.	10,119,539	9,170,320	6,727,544	19,731,768
Profit and loss surplus	35,970,606	37,304,287	40,071,050	40,095,048
Totals	$141,572,896	$143,929,407	$144,910,094	$282,995,066

that is likely to happen. A reduction of the dividend to 16% should not have the effect of forcing the stock much below present levels and on the other hand if the company finds itself able to maintain the present rate of 20% the stock will undoubtedly appreciate in value.

Opportunity

OPPORTUNITY, now as heretofore, treads hard upon ability. The centralization of industry, the growth of cities, the increased facility of communication, the development of the modern state itself, have alike socialized men, interlaced their interests, and expanded the boundaries of their collective life. The village squire merges into the representative, to appear before whose numerous constituents even requires much mileage and leathern lungs; stagecoach driver and keeper of the toll road have become railroad officials; peddler and money lender are transformed into department-store manager and corporation director, the one numbering his employees by the hundreds, his customers by tens of thousands, and the other with his finger on many of our purses; handicraftsman, swept by the new currents of business, becomes captain of industry, the term manufacture (manu, by hand, factura, a making; literally, a making by hand) revealing the surges of an Industrial Revolution. In short, wherever one may choose to look, tremendous undertakings are being rolled up and await direction. To fail here is to be crushed under the load of civilization.—"The Executive and His Control of Men," by Enoch Burton Gowin.

COMBINED AVERAGE GRAPHIC



This chart will show high and low of the combined averages of fifty railroad and industrial stocks, month by month, during 1916. The smaller chart shows the range of the market by months for five years past, as indicated by the combined average prices.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.

Railroads

	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Colorado & Southern 1st pfd	0	0	25.9	34.7	27.0	17.6	19.6	4.8	*12.1	51	23.7	Showing improved earnings.
Twin City Rapid Transit com	6	6.3	9.9	10.9	11.0	11.3	11.0	12.8	....	96	13.3	
Minneapolis & St. L. pfd..	0	0	—2.4	1.9	1.5	—11.9	7.7	—1.0	3.2	16	10.	Proposed reorganization.
Atchison com	6	5.7	12.1	8.9	9.3	8.2	9.5	7.4	9.2	105	8.8	Record earnings.
Mo., Kansas & Texas pfd..	0	0	7.2	8.0	13.6	0.1	17.8	4.1	13.4	15	8.8	Facing reorganization.
Brooklyn Rapid Transit...	6	6.9	4.2	5.6	6.8	8.3	9.2	8.7	7.4	87	8.4	Earnings show increase.
Union Pacific com........	8	5.9	19.1	19.2	16.6	13.8	15.1	13.2	11.0	133	8.2	Record earnings.
Lehigh Valley com (par $50)	10	6.5	15.4	23.0	16.5	13.2	16.9	12.5	12.1	76	7.9	Earnings good.
Great Northern pfd........	7	5.7	8.3	8.5	8.3	10.3	11.6	9.2	8.3	121	7.8	Large equity in C., B. & Q. and Canadian extensions.
Norfolk & Western........	6	5.2	8.7	11.6	8.9	9.9	10.6	8.9	8.8	116	7.4	Controlled by Penna.
Atlantic Coast Line com..	5	4.4	9.4	12.0	12.8	12.1	12.0	10.7	*8.3	113	7.2	Earnings show gains.
Southern Pacific	6	6	10.2	13.0	9.6	7.9	9.8	7.5	7.2	100	7.2	Record earnings.
Delaware & Hudson........	9	6	12.2	12.5	12.3	13.0	14.5	10.8	....	150	7.1	Traffic heavy.
Reading com (par $50)....	8	4.7	13.2	16.1	13.8	12.5	22.7	13.4	11.7	77	7.1	Suit filed against control of Jersey Cen.
Minn., St. P. & S. S. M. com	7	5.7	8.8	15.7	5.3	11.1	14.7	7.8	8.3	122	6.8	Pfd. and com. share above 7%. Contr. by Can. Pac.
Chesapeake & Ohio com....	0	0	6.4	10.0	5.1	6.8	5.2	4.7	4.2	62	6.8	Earnings to be put back into property.
Northern Pacific	7	6.2	10.7	9.0	8.2	7.9	8.7	7.9	7.6	113	6.7	Gains in gross and net.
Canadian Pacific	10	5.9	8.6	16.0	17.3	19.6	19.6	14.5	11.3	170	6.6	Helped by big crops and war orders.
Del., Lack. & W (par $50)	20	4.4	52.8	35.4	31.8	33.2	32.0	28.3	....	224	6.3	Net over $1,000,000 ahead.
Baltimore & Ohio com.....	5	5.6	7.1	8.9	6.9	7.6	7.2	4.5	5.4	89	6.	Record earnings.
Pennsyl. R. R. (par $50)..	6	5.1	11.0	9.3	8.6	9.3	8.9	6.8	....	58	5.9	Enjoying large freight tonnage.
Chicago & Northwestern..	7	5.4	11.4	7.7	8.0	7.1	9.6	7.9	7.7	130	5.9	
Illinois Central	5	4.8	7.4	7.1	10.3	3.2	6.0	7.4	6.2	105	5.7	Business very satisfactory.
Louisville & Nashville.....	5	4	14.3	17.3	14.2	15.9	12.7	9.3	6.8	125	5.5	Contr. by Atlantic Coast. Div. reduced from 7%.
Chicago Great Western pfd	0	0	....	1.2	1.9	0.4	2.8	2.0	1.9	36	5.4	1% div. paid Dec. 1.
Southern Railway pfd.....	0	0	6.0	9.6	11.1	11.3	11.8	8.1	2.7	60	4.5	Earnings approaching 1913 levels.
Erie 1st pfd.............	0	0	6.1	12.1	11.2	7.0	15.3	1.4	*2.2	52	4.4	Entitled to 4%. Record earnings.
Buff., Roch. & Pitts. com..	4	4.2	6.3	7.3	8.0	8.4	10.2	6.0	4.0	95	4.2	Div. reduced from 6% to 4%.
N. Y. Central............	5	4.8	7.7	6.0	5.7	2.2	5.9	4.0	....	105	3.8	Record ctarnings.
Kansas City Southern com.	0	0	3.4	2.2	2.7	0.2	2.7	2.9	*1.0	26	3.8	Earnings improving.
N. Y., Ontario & Western.	0	0	2.3	2.3	2.0	0.8	2.1	1.1	1.0	27	3.7	
Chic., Mil. & St. Paul com	4	4.2	7.2	8.0	7.1	1.6	8.6	6.3	3.3	96	3.4	Enormous earnings.
N. Y., N. H. & Hartford..	0	0	7.4	10.3	7.1	8.5	5.0	0	1.5	67	2.2	Current earnings good.
Pitts., C., C. & St. L. com.	0	0	9.8	6.1	7.0	10.9	—2.0	0.9	....	81	1.1	Pfd. and com. above 5%. Controlled by Penna.
St. Louis S. W. pfd.......	0	0	2.9	4.1	6.1	8.2	9.4	1.7	—1.4	44	0	
Seaboard Line	0	0	....	....	7.6	3.7	7.3	6.9	*0	37	0	Earnings gaining fast.
Missouri Pacific	0	0	1.3	3.3	—6.3	—2.4	1.9	0.1	—1.5	5	0	Progress on reorganization plan.

*Estimated.

The Bargain Indicator of Industrials Will Appear in the Issue of February 19

A PANORAMA OF THE STOCK MARKET FOR THIRTY YEARS

Note:—In previous issues the following charts, showing price fluctuations, have been published: Bethlehem Steel, U. S. Steel, common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Sugar, common, American Car & F'dy, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie common and Beet Sugar common.

Investment Digest

Note—The Investment Digest, Notes on Public Utilities, Oil Notes and Mining Digest contain condensations of the latest news regarding the companies mentioned. The items are gathered from the leading financial and investment publications, but are not to be considered official unless so stated. Neither the MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy.—*Editor.*

RAILROADS

Atchison.—SURPLUS for half year ended Dec. 31, 1915, was approximately $13,735,000, or $1,000,000 above full year's 6% common dividend requirements on $210,555,500 outstandings.

Baltimore & Ohio.—DECEMBER gross gain of $2,490,687 was at rate of 37.3%, compared with gain of $2,354,413, or 34.2% in November.

Boston & Maine.—CASH on hand now slightly more than $4,500,000.

Chicago, Milwaukee & St. Paul.—DECLARED semi-annual dividend of 2½% on common, increase of ½ of 1% over declaration six months ago. Regular semi-annual 3½% on preferred also declared.

Denver & Rio Grande.—GROSS earnings first four months of fiscal year were $9,243,141, increase of about $600,000 over corresponding period last year.

Erie.—ANNOUNCED company will issue $19,627,130 of its 4% general mortgage gold bonds of 1903 issue.

Great Northern.—PLANS are progressing for the electrification of 340 miles from Spokane to Seattle, Wash., at $6,000,000 cost.

Illinois Central. — AUTHORIZED purchase of 94 passenger cars, 100,000 gondolas, and 300 stock cars.

Kansas City, Mexico & Orient.—ESTIMATED road is earning at rate of $2,750,000 annually, based on five months' record of gross this fiscal year.

Lehigh Valley.—Earnings so far this current fiscal year at rate of 13% annually on common. Last year 10.45% was earned. At close of December gross gain of $2,000,000 and net of $1,000,000 was shown, compared with same six months of previous year. Company ordered 1,500 automobile freight cars, 10 new Mikado locomotives and 15 new switch engines.

Minneapolis & St. Louis.—DECEMBER net surplus revenue over and above fixed charges and taxes was $168,280, or over 2½% on preferred stock. Proposed readjustment plan not yet officially settled.

New Haven.—FREIGHT EMBARGOES will not prevent January from showing a sizeable gain in gross over 1915.

New York Central. — DECEMBER gross made over $4,000,000 gain over same month 1914. About 11.06% indicated for stock in 1915.

Pacific Coast Co.—DECLARED regular quarterly dividend 1¼% on first preferred, and 1% on second preferred.

Pittsburgh & Lake Erie.—DECLARED regular semi-annual dividend of 5%. Manufacture of 2,500 freight cars for road to be started immediately at New Castle, Pa., works of Standard Steel Car Co.

Pennsylvania Railroad.—DESPITE EMBARGO road will report approximately $4,000,000 gain in gross earnings for December. Earned about 8.15% on stock in 1915 against 6.83% in 1914.

St. Louis Southwestern.—STATEMENT to New York Stock Exchange shows surplus of net income over all charges for quarter ended September 30, 1915, of $125,822, but supplied no comparison.

Seaboard Air Line.—ANNOUNCED entire issue of $14,600,000—6% first mortgage bond have been placed with investors.

Southern Pacific.—EARNED at rate of about 14% annually on stock in last half of 1915. December gain in gross was $2,761,028, or 28% over December, 1914.

St. Louis & San Francisco.—GROSS thus far this fiscal year is $1,500,000 ahead of last year.

Southern Railway.—NO PUBLIC financing will be done in connection with payment on Feb. 1 of $5,000,000, three year 5% notes.

Texas & Pacific.—B. F. BUSH, receiver of Missouri Pacific, denied report of attempt to control Texas & Pacific.

Union Pacific.—EARNED at rate of 14% annually in first half of fiscal year. December gross gain over same month of 1914 was $1,868,377.

Wheeling & Lake Erie.—SALE OF ROAD again postponed until March 8 because there was no bidder.

Wabash Railway.—DEFICIT for year ended June 30, 1915, was $2,840,768. Previous year it was $2,678,915.

Wabash-Pittsburgh Terminal. — REORGANIZATION PLAN declared operative by committee of which J. M. Wallace, Pres. Central Trust Co., is chairman.

INDUSTRIALS

American Brake Shoe & Foundry.—REPORT year ended Sept. 30, 1915 showed 16.46% on $5,000,000 preferred stock against 14.03% previous year.

American Brass Co.—EARNED 40.8% on stock in year ended Dec. 31, 1915, against 9.6% in 1914. Directors declared dividend of 1½% and 3½% extra, payable Feb. 1. In 1915, 13% was paid.

American Can. — UNDERSTOOD 9% back dividends on preferred will be paid soon.

American Coal Products. — STOCKHOLDERS voted to change name of company to Barrett Co.

American Graphophone. — PROCEEDS of $550,000 first mortgage 6% 20 year bonds will be used for erection of new building adjoining present Bridgeport plant.

American Hide & Leather.—REPORTED for quarter ended Dec. 31, 1915, $481,091, surplus, equal to 3.70% on preferred.

American Steel Foundries.—DOMESTIC business continues satisfactorily. Earnings estimated from 17% to 18% on $17,184,000 stock.

American Locomotive.—EARNED in six months ended Dec. 31, 1915, entire year's interest charges, whole year's 7% dividend on $25,000,000 preferred, and a balance of $820,000, or over 3% for $25,000,000 common.

American Malt.—SALES since Sept. 1 increased $1,800,000 over a year ago, of 50%.

American Woolen.—PREDICTED 1916 sales will show 25% gain over 1915, with net estimated at over 20% on common.

Atlantic Gulf & West Indies.—ESTIMATED 1915 net profits will be $2,700,000, or approximately $17 per share on its preferred.

Aetna Explosive.—REFINANCING contemplates changing common capitalization from $7,000,000 with $100 par to 630,000 shares of no par value.

Associated Dry Goods.—ESTIMATED average annual profits will be $1,500,000, which after preferred dividends would leave $200,000 for $14,895,000 common.

Bethlehem Steel.—EXPECTED 9,000,000 shells will be completed and delivered in first ten months of this year, with estimated earnings on this order alone of $54,000,000.

British-American Tobacco.—OFFICIALLY STATED war has not impaired demand for company's goods. No new financing considered likely in near future.

Brill, J. G.—DECLARED 1% on preferred stock.

Canadian Car & Foundry.—RECENT REFINANCING of company removed last obstacle in successful carrying out of war contracts.

Chandler Motor.—PROFITS in 1916 are estimated at $2,000,000.

Corn Products Refining.—UNLIKELY any action will be taken on 18½% back preferred dividends until government suit is decided.

Crucible Steel.—DECEMBER NET was $1,250,000, and January expected to make fully as good a showing.

Emerson Phonograph.—THROUGH its distributors it has closed arrangements with the F. W. Woolworth Co., S. S. Kresge Co. and McCrory Ten Cent Stores, for the handling of its 10 cent records. Although the Emerson Co. was formed only 9 months ago, it is reported to be on a paying basis.

Ford Motor Company.—JANUARY PRODUCTION reported 75% ahead of a year ago.

Goodyear Tire & Rubber Co.—OFFICIALLY stated 1916 sales record should exceed 1915 by 50%.

Goodrich, B. F.—DECLARED quarterly dividend of 1% on common and a dividend of 3½% on preferred.

Inland Steel.—DECLARED regular quarterly dividend of 2% payable March 1.

International Harvester Corp. — JANUARY common dividend omitted, owing to continued poor foreign business. International Harvester Co. and Corp. each declared regular quarterly dividend of 1¾% on preferred stocks.

International Nickel.—EARNED 19.4% on $41,934,600 common in nine months.

International Mercantile Marine.—PROFITS above British war taxes in 1916 estimated at $30,000,000, which would mean 50% on preferred after charges.

Kelly-Springfield Tire.—EARNINGS for 1915 understood to be 28% on common.

Lake Torpedo Boat.—ORDERED to forfeit its charter by Gov. Fielder of New Jersey for failure to pay $7,000 taxes.

Lee Tire & Rubber Co.—EXPECTED to earn $1,000,000 net, or $10 per share this year.

Lackawanna Steel. — EARNINGS now running at rate of about 30% per year on company's stock.

Maxwell Motor.—PREDICTED 1916 net will be $4,000,000, compared with $2,300,000 in 1915.

National Enameling & Stamping.—REPORT for 1915 to be issued soon will show best year experienced since 1909.

New York Air Brake. — DECEMBER SALES were $2,145,118.

Pullman Co.—SECURED ORDERS for 1,000 box cars for Denver & Rio Grande and 500 for Lehigh Valley.

Pittsburgh Steel. — REPORT for five months ended Nov. 30, 1915, shows $1,447,926 net, icrease of $1,212,032.

Pressed Steel Car.—DECLARED regular quarterly dividend of 1¾% on preferred, payable February 23.

Republic Iron & Steel.—OPERATIONS running 100% capacity.

Riker-Hegeman. — CONSOLIDATION with United Drug Co. practically completed and new stock will be ready shortly.

Railway Steel Spring.—EXPECTED to show 2% on common for 1915. In 1914 co. failed to earn preferred dividend by $570,000.

Sloss-Sheffield. — NOVEMBER EARNINGS were nearly $111,000.

Sears, Roebuck Co.—SALES increased 20% to 25% in January. Declared regular quarterly dividend of 1¾% on common, payable Feb. 15.

Saxon Motor.—RECEIVED ORDERS for 1,720 cars at automobile show.

Utah Securities Corp.—RETIRED additional block of $1,050,000 of 10-year 6% gold notes.

U. S. Cast Iron Pipe.—RESUMED DIVIDENDS on preferred, declaring 2% out of 7 months' earnings ended Dec. 31, 1915.

United States Rubber.—TIRE SALES now showing monthly gains of 100%.

United Fruit Co.—VICTORY in Bluefield Steamship case saved co. $15,000,000, which was amount of damages sought.

U. S. Industrial Alcohol.—EXPECTED 1916 profit will run between 35% and 50% on common.

U. S. Steel.—DIRECTORS unanimously voted to restore 5% common dividend rate, declaring 1¼%, payable March 30. Regular quarterly 1¾% preferred also declared.

Victor Talking Machine.—WON SUIT against R. H. Macy & Co., preventing them from selling Victrolas at cut-rate prices. Co. declared special cash dividend of $10 a share on common.

Vulcan Detinning.—CASE against Republic Chemical Co. for alleged infringement on patents dismissed.

Willys-Overland.—OFFICIALLY ESTIMATED this year's earnings will show 65% on common.

Western Union.—EARNINGS for 1915 equal to 10.24% on $99,786,759 capital stock, against 5.17% on same stock previous year.

Westinghouse Electric.—UNDERSTOOD December net profits were approximately $1,100,000.

Investment Inquiries

NOTE.—Answers published are condensed from the very large number of inquiries received. All inquiries are answered by mail as soon as received and should be accompanied by stamped and addressed envelopes. Questions should be as concise as possible, written on one side of the paper and the prices paid for securities about which inquiry is made should always be stated. Replies wired C. O. D. when requested. Annual subscribers' inquiries receive first attention.

Motor Stocks

J. M. S., Springfield, Mo.—We consider the motor stocks at present levels a risky speculation. The automobile trade is booming at the present time, but production is increasing enormously and it should soon catch up with the demand. Competition is very keen now. Just as soon as there is over-production it appears to us that the large profits many of the motor companies are now making will be considerably lessened. Of the two stocks you mention, we prefer Chevrolet to Saxon. This company has the best of management, and very comprehensive plans for expansion.

Amer. Beet Sugar

H. W., Halifax, N. S.—American Beet Sugar for the year ended March 31, 1915, earned 8.68% on the common stock. Present earnings are very good because of favorable conditions in the sugar market due to the war. The president's message recommending that the present tariff on sugar be maintained is of great importance to this company, as, with the tariff entirely removed, its profits would nearly all vanish.

The stock has had an advance sufficient, we think, to have discounted its improved outlook. We suggest that you be satisfied with a reasonable profit on this commitment.

Goodrich

J. T., Rogers, Ark.—Earnings of B. F. Goodrich for 1915 will probably be closed to 10% on the common stock. It is quite likely, therefore, that dividends will shortly be resumed on the common at the rate of either 4% or 6% per annum. The stock has had a considerable advance, however, and we are of the opinion that at present levels it has pretty thoroughly discounted this good news. Earnings of 10% for 1915 would not be a very remarkable showing in view of the exceptional activity in the tire business.

U. S. Rubber

S. V. R., Brooklyn, N. Y.—U. S. Rubber's earnings for last year will not show up quite as well as in 1914, owing to the high cost of raw material. The reaction the stock has had from its high price has discounted a good deal of the bad news, and the stock may possibly be due for an advance. We consider it an uncertain issue to hold, however, and suggest that you protect yourself against a much greater loss with a stop loss order.

D. L. & W.

D. M., Santa Ana, California—Delaware, Lackawanna & Western, in our opinion is one of the best railroad investment stocks. For the year ended December 31, 1914, net earnings were the smallest reported by the company since, 1907. In spite of this, however, 28.26% was earned on the company's stock after charging off over $1,000,000 for betterments. For 1915 the company should show at least 31% on the stock. Its dividend of 20% annually seems to be amply secured, especially as the company is in a very strong financial position, having $15,500,000 working capital.

Central Leather

G. W. T., Pasadena, Calif.—Central Leather will earn about 9% on the common stock for the year ended December 31, 1915. In 1914, 6½% was earned. There has been considerable talk of the common stock being put on a regular 5% basis when the directors meet next February. There appears to be nothing to warrant this statement, however, other than that the company seems to be in a position to conservatively pay 5%.

CARWEN STEEL.

C. S. P., Plattsburgh, N. Y.—From information furnished by the company, we understand that the company's plants are operating to capacity on orders from such concerns as the Baldwin Locomotive Works, Westinghouse Mfg. and other munition manufacturing plants. Its product is a fine grade of steel tools and a patent braiding machine. The stock apparently has possibilities.

Manhattan Transit

R. W., Matawan, N. J.—Manhattan Transit is somewhat of a mystery stock. It has some patents and franchises which have considerable potential value, but the outsider finds it very difficult to get a line on the speculative possibilities of the stock. The company, under its franchise, claims the exclusive right to passenger traffic in vehicles on all thoroughfares in the Borough of Manhattan over than Fifth avenue, and claims equal rights on Fifth avenue. On August 16th, the company entered into a contract to sell stock of the Long Acre Electric Light & Power Co. to the Inter-City Power Co., retaining as its only interest in the former company some of its income bonds. There is $6,000,000 stock, par value $20, and $300,000 1st mortgage bonds.

Hendee Mfg.

W. B. J., Littleton, N. H.—Hendee Mfg. Co. is reported to be doing the best business in its history. The last annual report of the company showed the dividend earned on the preferred and a small surplus for the common after deducting a substantial sum for depreciation and sinking fund charges. Dividends cannot be declared on the common until the net liquid assets equal $3,000,000.

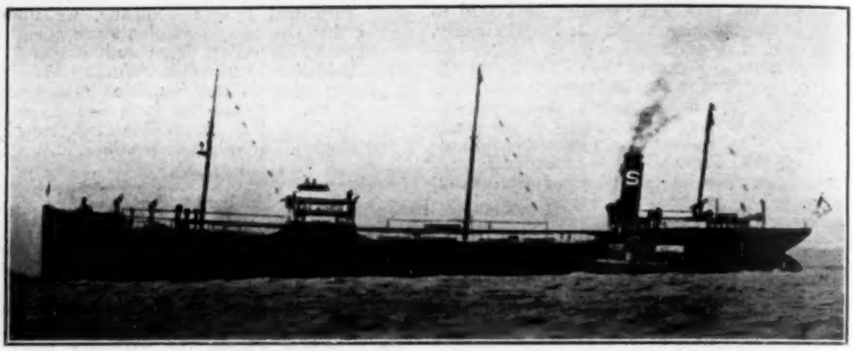
Peerless

C. N., Sharon, Pa.—Peerless Motor & Truck Co. for the eleven months ended November 30, 1915, earned 18% on the common stock. It is officially announced that arrangements have been made with one of the largest manufacturers of cheap cars in the country to distribute part of its product. The par value of the stock is $50. At present market price of about $29 the stock looks like a very attractive speculation.

Notice to Subscribers: In asking our opinion of stocks, it is important that you state whether you now hold the stocks in question, or whether you are contemplating their purchase or sale. With this information we can advise you more intelligently.

It is also of great advantage for us to know the price which you paid in case you own these securities, as it often makes a difference in case you have a profit or a loss, or can get out even. Many circumstances enter into the matter of advising you, and we hope you will give us all the help you can in the way of the above information. Do not make your inquiries too lengthy, however. We receive a great many, and cannot devote an undue amount of time to anyone.

MINING AND OIL



Tanker "Richmond" Used in Standard Oil Transatlantic Trade (Capacity 60,000 Bbls.)

Standard Oil of New Jersey

Why It Is a "Mystery" Company—Standard Oil Secretiveness —Trend of Earnings—Effects of Dissolution—Outlook for "Old Jersey's" Stock

By J. W. SMALLWOOD

FOR some time the Standard Oil securities were regarded as "mystery" stocks, and today there are still a few of these issues about which there is a large degree of uncertainty. If there is one stock above all others, however, which has carried out the Standard Oil tradition of mystery and secrecy, it is the Standard Oil Company of New Jersey. You can claim anything you want for this company; spread rumors of record-breaking earnings or of contemplated "melon-cuttings," and no one will deny such reports. Officers and directors do not even appear interested in them.

Standard Oil Secrecy

There is little chance of the public obtaining any advance information regarding this company's plans. Just once since the dissolution, has information been published relative to important action to be taken by the company, and that was prior to the declaration of an extra dividend of $40 a share in 1913. The director who was responsible for this unintentional "leak" has never been known to say anything regarding his company's affairs since that time. The New Jersey company is the old parent concern, and it still preserves all the dignity that went with secrecy in the days before the dissolution.

While most of its former subsidiaries have not yet gained a reputation as exponents of the publicity movement, many of them have at least given stockholders some light regarding their financial position, and one of the offsprings of the New Jersey company, which probably as a coincidence is geographically located the farthest from 26 Broadway, even goes so far as to publish a magazine showing its progress from month to month. But so far as "Jersey" is concerned, no financial statement has ever been presented to the stockholders, and about the nearest the old company has ever come towards getting in touch with

the public seems to be in its advertisements for the sale of medicinal oil.

Effects of Dissolution

Publicity or no publicity, however, there is every indication that the New Jersey company has made wonderful progress since it was divested of thirty-three of its principal subsidiaries in the latter part of 1911. The former subsidiaries, since being forced out into the world to shift for themselves, have in most cases enjoyed a tremendous growth, despite the fact that in a number of instances their supply of capital was limited. If these smaller companies have been able to double and treble their business since their separation from the "Mother" company, it seems reasonable to expect that the former controlling concern, with its vast resources, has also been making great strides. And, furthermore, it must be considered that, while the New Jersey company had to release its control of thirty-three subsidiaries by the decree of the United States Supreme Court, it retained control of a large number of companies, many of which have made rapid progress in the last four years. Of the long list of companies now controlled by the Standard Oil Co. of New Jersey, the principal ones with their capitalization and the percentage of stock owned by "Jersey" are as follows:

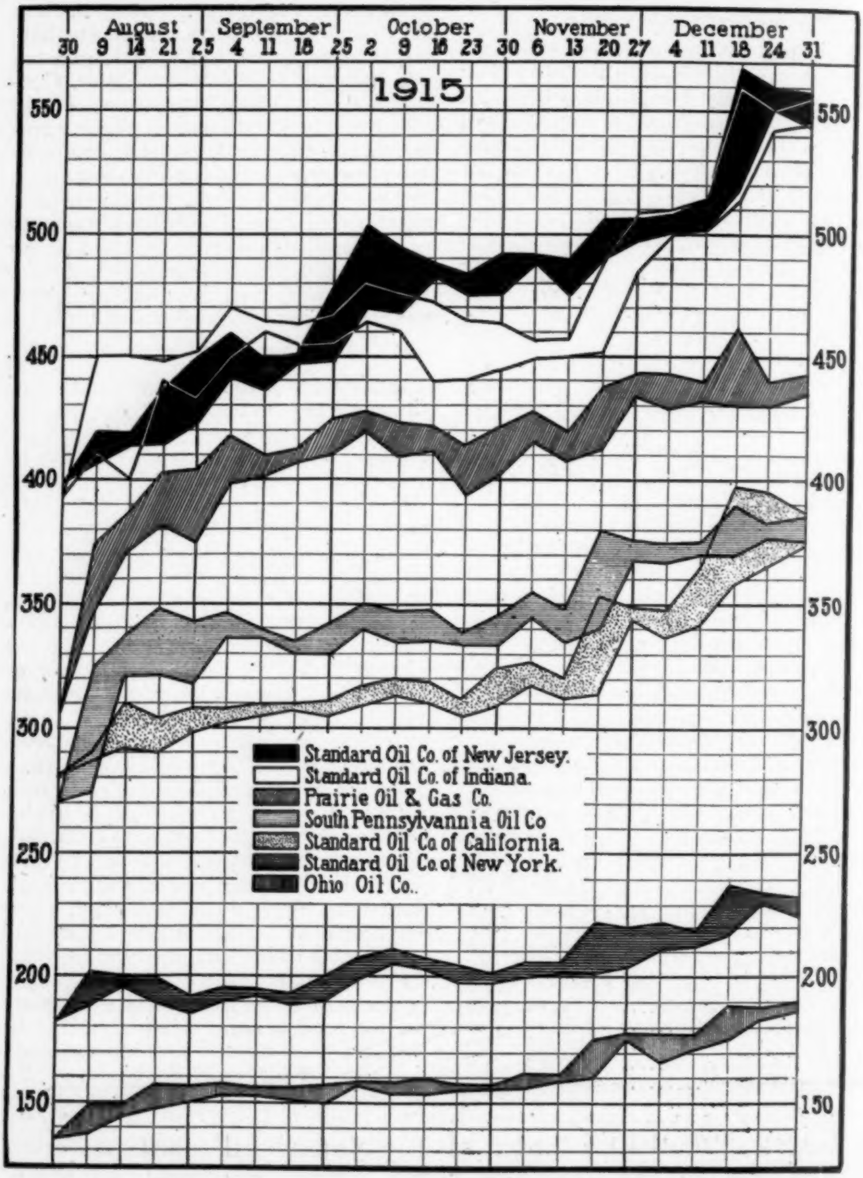
Company	Capital Stock	P. C. Owned by S. O. Co. of N. J.
American Petroleum Co....	$3,140,000	51.3
Carter Oil Co..............	2,000,000	100.0
Deutsch-Amer. Petrol Co...	9,000,000	100.0
Imperial Oil Co., Ltd......	15,000,000	80.0
International Petroleum Co.	20,000,000	....
Oklahoma Pipe Line Co....	5,000,000	100.0
Romana-Americana	5,000,000	....
Std. Oil Co. of Louisiana...	5,000,000	100.0
Societa Italo-Amer. Pet.....	1,000,000	60.0
West India Oil Co.........	3,000,000	99.3

Each one of these companies is a powerful unit in the oil industry, and most of them control other companies. The first-named company in the above table is a foreign company operating in the Netherlands. The Deutsch-Americanische Petroleum Co. is another foreign subsidiary operating in Germany. The Romana American Company is the Roumania subsidiary. The Societa Italo-Americano is the Italian marketing company, and the West India Oil Co. operates in the West Indies, Central America and Cuba. Imperial Oil Co., Ltd., is the Canadian representative of the Standard, and that company in turn controls the International Petroleum Co., Ltd., the youngest member of the Standard Oil group operating in the Peruvian fields. From this description it is evident that a large part of the New Jersey Company's business is foreign.

Export Business

Undoubtedly the export business of the company forms by far the greater part of its business, and the subsidiaries referred to control an extensive trade in their respective territories. An idea of the growth of the company's foreign trade can be obtained from the fact that the last year the West India Oil Co., which had been regarded as a relatively small concern, increased its capital stock from $100,000 to $3,000,000. The Imperial Oil Co., Ltd., has made wonderful strides in its Canadian territory, and with its present grasp on the Dominion's petroleum trade, this company appears to have an extremely bright future. Within a few years this company's outstanding capital stock has been increased from $1,000,000 to $22,000,000, the last expansion being made last December, when the company distributed a 100% stock dividend. Recently the Imperial's authorized capital stock was increased from $15,000,000 to $50,000,000, and its charter powers were greatly extended. The company is now busily engaged in increasing the capacity of its refineries and in constructing new refineries, tank ships, and distributing stations. The International Petroleum Company, controlled by the Canadian company, while only formed a little more than a year ago, has already made rapid progress and it is expected that this concern will greatly increase its hold on the South American business.

Rise in Seven of Leading Standard Oil Stocks



In the United States, Standard of New Jersey does a marketing business throughout New Jersey, Delaware and Maryland and through subsidiaries in Louisiana, Mississippi and Arkansas. The Standard Oil Co. of Louisiana has

recently been increasing the capacity of its Baton Rouge plant and when extensions now in progress are completed it is understood that this plant should have a daily capacity of about 40,000 barrels of crude oil. Oil from the Oklahoma fields is delivered to this company by the Oklahoma Pipe Line Company. The Carter Oil Co. is another important branch of the Standard in this country. This concern has recently been extending its sphere of operations and has made large expenditures in acquiring storage oil and producing properties. During the period of greatest depression in the Oklahoma oil fields this company entered that territory and started to take over holdings in the Cushing pool and the beginning of the current upward movement in the crude oil markets found the Carter Co. with something like 8,000,000 barrels of Cushing crude oil in storage and a daily production of about 15,000 barrels. A number of the South Penn Oil Company interests have become connected with this company, and it is expected that hereafter it will be a big factor in the producing situation of the country. This brief review of the New Jersey company's principal subsidiaries is sufficient to give some idea of the strong grip now held by that company on production, refining and marketing of petroleum, and it is the knowledge of these factors and of the vast hidden assets of the company that have resulted in the great upbidding of the stock to the highest price since the dissolution. It is true that the disposal of the company's pipe line properties as a result of the common carrier decision of the United States Supreme Court had a lot to do with the upward movement in the price of the stock at first, as it was expected that the company might make some distribution from the proceeds of this transfer similar to the large extra disbursement made in 1913 from the liquidation of loans by former subsidiaries. The principal foundation for the recent advance, however, have been the reports of growing earnings and assets of the company and its subsidiaries. While the New Jersey company continues to pay dividends at the rate of $20 per annum its surplus is undoubtedly showing a steady increase and it is only a question of time before stockholders should benefit from the growing business.

Market Position of Stock

As to the immediate market movements of the stock, a better idea of this can probably be obtained from the accompanying graphic than from an explanation of the company's position. Wild rumors of pending special dividends have had the effect of causing a good deal of speculation in the stock in recent months, and this same speculative factor has resulted in a considerable falling off in the stock in the past few weeks. When a stock advances inside of a year from 385 to 568, a gain of close to 200 points, whether it is Standard Oil or anything else, it is likely to suffer a reaction. Everything considered, the recent set-back in the stock might be regarded as quite sufficient to encourage new investment commitments, but whether the stock suffers a further decline or resumes its upward trend in the near future, it is likely that for the long pull "old Jersey" will prove as good as any of the the members of Standard Oil group and that even Rockefeller's fondest dreams will be more than realized, if they have not already been.

EASY PROFITS and a rising market kill caution—don't forget the stop loss order. Your pet stock *may* not react, but it *might*.

Curb Mining Stocks

Some Pithy Observations of Interest to the Investor on Some of the Leading "Outside" Issues—Their Investment and Speculative Features

By C. S. BURTON

EXPERT and impartial comment on the "outside market" as the New York Curb is termed, is not easy to obtain. Among the outside securities are some very good ones and some that are very bad. In order to enable the investor to obtain an idea of the more important factors which bear on the leading mining issues, this article is written for THE MAGAZINE OF WALL STREET. Observations upon other of the more active Curb stocks will follow in later issues.—EDITOR.

Kennecott

It has been a matter of frequent comment that the public seems occasionally to be unappreciative of greatness when realized by mining companies and often dazzled by mere prospective possibilities. Although Kennecott has absorbed Braden and thereby given itsel all the assurance that comes from large measurable tonnage and low production cost, yet it is selling today at only a little above $50 per share. It is stated by an official of the Kennecott Co. that the Jumbo ore body has been developed on the 500-foot level for a length of over 580 feet, with the face of the drift still in high-grade ore. The height of this ore body is over 1,000 feet; the ore having been proven to extend from the 600-foot level to the surface. In places the ore body is 100 feet wide, with 70 feet of this width running 70% in copper.

It is extremely difficult to make any close calculation of the amount of copper contained in such an ore body. While the amount of net copper runs into very large figures in one direction, the copper costs reach an almost irreducible minimum in the other direction. Kennecott now owns practically all of Braden, one-fourth Utah Copper, and is producing, at the present time about ten million pounds of copper a month, all of which is being sold at a net profit of about 15 cents a pound. This would give Kennecott a profit of about eighteen million dollars a year. Braden can earn something better than three millions a year; while Kennecott's share of Utah earnings should be about four million dollars per year.

Cerro de Pasco

It will be a long time before one can become accustomed to think of Cerro de Pasco without calling to mind the sturdy figure of the late James B. Haggin. The property was long considered Mr. Haggin's special venture; it was his courage and determination that expended the millions laid out in development work and transportation facilities. The mines (there are several of them) lie in Peru, on the crest of the Andes at an elevation of some 14,000 feet above sea level. The ore deposits are not of the porphyry type, and, as vein mines are not capable of measurement as to ore tonnage, it is impossible to estimate production and life, as can be done with the low-grade milling coppers in our own West and Southwest. Present production is about 5,000,000 pounds per month, turned out at a cost of about eight cents a pound. Ore is broken down in the stopes in quantity covering extraction for two or three years ahead. Coal fields have been procured, opened up and are furnishing fuel for smelters, so that on the whole Cerro de Pasco is very much of a self-sustaining mining property. The management is the very best, both technically and financially.

There are 1,000,000 shares of stock, without par value, having however, $10,000,000 in convertible bonds ahead of them, the conversion privilege being on a basis of 33 1/3 shares of stock for

one $1,000 bond, which fixes a theoretical market value of $30 to the stock.

Around the present market of $37.50 the shares look rather attractive.

Chile Copper

The latest and greatest of the Guggenheim flotations has forsaken the curb market and, to use the phrase of the street, has "gone inside," and is now traded in upon the floor of the New York Stock Exchange.

Chile is at once an example of greatness appreciated and greatness ignored. It has a capital of one hundred and ten million dollars, counting the fifteen million dollars of bonds as converted. Every critic has pointed out the immensity of this sum, without at the same time taking into consideration the immensity of the property. Taking official figures, Chile has in round numbers eleven billion pounds of copper net in the ground; the stock is selling at par, while Utah Copper, the next largest copper mine in operation is selling at $78 per share, having a net copper tonnage of six and a half billion pounds of copper on which the market valuation at the current price is $126,710,220. Utah is a little more than half as large as Chile and is selling in the market for more money. This is answered in part, of course, by the advantage of present record earnings, but it may be doubted whether the advantage lies so largely with Utah as current prices indicate, and this is not written in any spirit of belittlement of Utah as a wonderful copper producer. The deposit of ore to be turned into copper by the Chile is what is commonly known as blue vitriol and is unique in that the copper can be extracted without concentrating or smelting, the metal being recovered by an inexpensive process of leaching and electrolytic deposition. When the first unit of ten thousand tons daily capacity is in operation Chile will be making ten million pounds of copper per month at a cost of not more than six cents per pound and probably a full point below this figure. The mad pursuit of overnight profits which has raged during the past ten months has largely discouraged sane analysis, but Chile will repay careful study. It is capable of sustaining its full contemplated production of 360,000,000 pounds of copper per annum for thirty years on its present known tonnage. On 15c. copper the company can earn more than thirtv million dollars yearly. Fifteen-cent copper looks foolishly cheap now, but even if the metal should average below this price Chile could still earn ample income on its capital, large as it is, and do so for thirty years or more. Taking all things into consideration, the size of the ore bodies, the turning out of refined copper, by leaching and electrolytic precipitation, at great saving of cost, Chile is probably the cheapest copper in the list today.

Stewart

If the New York Curb market could furnish facilities for the trader on the short side in mining stocks, so that a short interest could be maintained, that is, if shares could be borrowed with any assurance of keeping the position, there would be a line of Stewart Mining put out that would almost wipe out the quotation. Brokers in the Northwest have clamored to sell the issue short ever since it was above $2. There has been no concealment of the fact that the mine was being cleaned out very rapidly and that the dividends were in reality in the way of final liquidation. A mine is always a liquidating asset from the first dividend to the last one, but the ordinary purchaser can hardly look upon a dividend so called, as a return of any part of his principal. As all things must end, Stewart is no exception to the rule. There was a first disbursement, so there must be a last one. Even now, when stock is selling at 5/8, one Spokane trader has been trying to sell 20,000 shares short on the theory that it is high at 1/8, and only desisted from his purpose when emphatically informed that it was impossible for him to take and keep a short position.

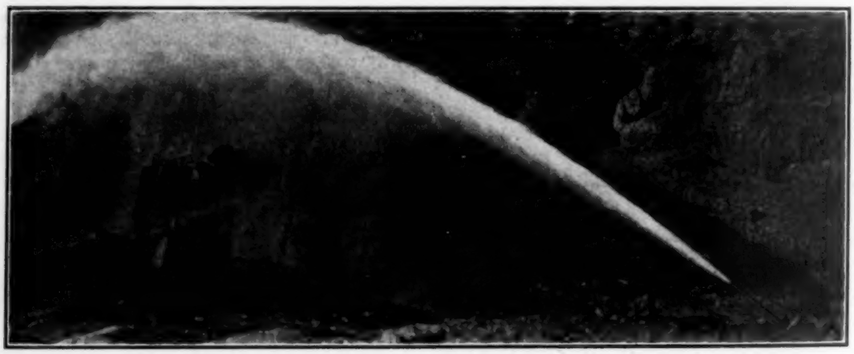
"Speculation is a question of judgment."—James A. Patten.

Yukon Gold Company

Why It Has Not Fulfilled Earlier Expectations—What Dissolution of Guggenheim Exploration Co. Means to Yukon—Speculative Position of Stock

By JAMES V. TERHUNE

"YUKON GOLD!" What a picture the name presents to the metal eye! One immediately thinks of Rex Beach's far northland of the steel-blue skies, quilting snows and icy waters. A host of names assail the memory, "Klondike," "Dawson," "White Horse Pass"; that wild rush of burning eyes prospectors in the later nineties to Alaska—the land of sudden fortunes and as sudden deaths. Turning to more recent times one recalls a few years ago when "Tom" Lawson plastered the public prints with Yukon Gold "ads" in a campaign of distribution and the still standing joke on the "Curb" of how, on the morning of the tempestuous opening following the Lawson advertising, the Curb brokers formed a human phalanx and "hogged" the Yukon business, while the Lawson brokers hurled themselves vainly against the hostile square.



"Hydraulicking" Gold Out of the Heart of the Hills

Has Yukon Made Good?

Yukon has not been what might be termed a failure, but it can hardly be accredited as an unmitigated success. It has not met the highest aspirations of its incorporators by a considerable margin, which, it must be said in all fairness, is owing to no fault of the management. Yukon Gold is a consolidation of various gold dredging companies formed to operate in the Klondike creeks. By its very nature, mining of this sort is of a less substantial character than the mining of huge, low grade bodies of "disseminated" ore as exemplified by the so-called "porphyry" mines, or even the underground and "vein" mines. Dredging for a company the size of Yukon Gold means operations on a vast scale, and as the gold sands of the old and present Klondike river beds do not persist to any considerable depth, it is necessary to constantly acquire new territories. This is the problem the company has had to struggle with, and to date it has managed to keep adding sufficient areas to enable it to make a fair return upon its capitalization. But will it continue to be able to obtain new areas at reasonable costs? That is a question which perhaps no one person can answer with absolute certainty. All things must end and in the course of time the Yukon Gold will have worked out the richest gold sands in the Klondike, but by that time the company

may have returned sufficient to its stockholders to have made them satisfied with their original investment.

Some Essential Historical Facts

The name of "Guggenheim" is indissolubly linked with that of Yukon Gold. Solomon Guggenheim is president of the company, Daniel Guggenheim is vice-president and Morris Guggenheim is treasurer. So whatever is the eventual fate of the company the Guggenheim's will receive the credit, or bear the blame —whichever the case may be.

Incorporated in 1907, Yukon Gold was a consolidation of the Pacific Gold Dredging Co., Atlin Consolidated Mining Co., Yukon Consolidated Gold Fields Co., Bullion Hydraulic Mining Co., and Cariboo Gold Mining Co. The company's holdings in the Klondike district are on the Bonanza, Eldorado, Bear and Hunker creeks. It also owns property at Oroville, Cal., operated under the name of the Pacific Gold Dredging Co.

In 1914 the company purchased the "Sunset" and "Gilt Edge" properties on the Yuba River, Cal., and since that time has acquired considerable other holdings, including property in the Yukon and Iditarod districts.

Capitalization

Capitalization of the Yukon Gold Co. totals $17,500,000 par $5, or 3,500,000 shares, of which the Guggenheim Exploration Co. owns 2,842,625, or approximately 75 per cent. The company has no bonded debt or liabilities, outside of moneys borrowed from the controlling company and current payables. The 1915 balance sheet is not yet available as this is written, so that the table accompanying this article gives only the balance sheets for five years to and including 1914. It will be observed that the Yukon Co. is in a very weak position as regards to cash, for a company capitalized at $17,500,000, but this is due to the fact that the rich Guggenheim Exploration Co. has always acted as banker and foster-parent to the smaller company. In short, Yukon has been content to pay out practically all its earnings each year in the form of dividends, relying on the holding company to take care of its financial needs. Now that the holding company is being dissolved, some new arrangements will have to be made to take care of Yukon, as it obviously cannot continue by itself.

Earnings

The Yukon Gold Co. has always followed the policy of leaving considerable to the imagination of its stockholders. Its reports have consisted chiefly of a mass of statistics dealing with cubic yards handled, percentages of gold recoveries, etc., which mean little or nothing to the layman, and the barest possible figures of operating results. The stockholder, if he had time and patience coupled with the necessary knowledge of accountancy, might dig out the gain in surplus each year and by figuring out the dividends paid and adding that to the gain in surplus, form some idea of net results available for dividends. But the way the company arrived at the totals available for dividends was concealed in the best Standard Oil manner. Within the last year or two the company has been a little more liberal in its financial statements, but they have never contained the information to which a stockholder is entitled, and as corresponding details of earlier years are lacking, these recent reports are of little value for comparison purposes.

Years Ended Dec. 31.	Net Earnings Available for Dividends.		Dividends Paid.	Year's Surplus.
1914	$1,128,307	6%	$1,050,000	$78,307
1913	1,130,300	6%	1,050,000	80,300
1912	1,072,592	6%	1,050,000	22,592
1911	1,404,233	8%	1,400,000	4,233
1910	1,429,635	8%	1,400,000	29,635

Performing the afore-mentioned feat in calculation we arrive at the results of operations for the last five years as shown by the table of net earnings, dividends paid and surplus.

From the foregoing it appears that each year the company has been sailing close to the wind in the matter of dividend distributions, or perhaps that the management has felt that the stockholders regarded one dividend in the hand as being better than two in the profit and loss surplus account.

The company's 1915 report will be out in a couple of months, perhaps within a few weeks. Inquiry at the offices of the management as to what the year as a whole might reasonably be expected to show the elicts, the statement that "no information in regard to earnings will be given out in advance of the annual report." Which causes the old timers in the Street to smile when they recollect how, not so many years ago, all the "information" one cared to hear could be had for the asking. But that was when the stock was the leader on the Curb and was selling at about $5 a share instead of between 2½ and where it now lies, un-noticed and all but forgotten. Doubtless many of the company's 4,800 present stockholders who purchased their Yukon Gold around $7 or higher, now wish there had been less "news" current in regard to this corporation at that time

However, from other sources of information in which I have every confidence, I have gathered that the 1915 net earnings are expected to show somewhat better than those for 1914.

YUKON GOLD—ESSENTIAL BALANCE SHEET STATISTICS—YEARS ENDED DECEMBER 31

	1910.	1911.	1912.	1913.	1914.
ASSETS					
Prop. and invest.	$11,885,460	$12,163,412	$12,026,121	$11,718,823	$11,524,181
Equipment	6,427,002	6,495,481	6,935,801	6,994,487	7,036,424
Def. chgs.	537,865	559,457	441,279	451,559	600,066
Advanced royalties	....	....	340,604	206,519	206,519
Mat. and supplies	548,783	605,064	879,292	1,001,821	942,821
Receivables	344,636	321,985	502,965	272,039	360,314
Bulletin in transit	....	....	....	261,370	143,847
Cash	32,182	101,500	97,351	113,479	51,435
	$19,775,928	$20,246,899	$21,223,413	$21,020,097	$20,865,608
LIABILITIES					
Capital stock	$17,500,000	$17,500,000	$17,500,000	$17,500,000	$17,500,000
Gugg. Explor. Co.	499,850	1,798,160	2,524,972	2,100,000	1,765,000
Payable	1,104,828	127,947	202,272	166,087	134,730
Depreciation	288.799	434,108	586,893	764,434	987,995
Surplus	*382,451	386,684	409,276	489,576	567,883
	$19,775,928	$20,246,899	$21,223,413	$21,020,097	$20,865,608

*Surplus as above is after payment of dividend December 31.

Yukon Gold's Future

What about the future of Yukon Gold? Will be able to show as good earnings as in the past and will it continue its present dividends? There is enough doubt about these two points to give the stock a strong speculative tinge. If new properties are acquired of sufficient value and at right prices, Yukon may be able not only to pay the present dividend but to do even better, but until Yukon's banking needs have been cared for and until its present lease of life is more definitely known than at present it cannot be regarded, from the investor's point of view, as other than a speculation and one attended by a considerable degree of risk.

Mining Inquiries

Butte & Superior

S. J. E. C., N. Y. City.—Butte & Superior profits are at present running at the rate of $30 to $40 a share annually. These earnings, of course, are based on the present high price of spelter. With spelter at its normal price of 5c., the company will not be able to earn anything like this amount. Of course, the present high price of spelter is a result of the war. The company's cost of producing zinc in 1914 was 3.73c. a lb., which, with spelter selling at its normal price of around 5c., would leave a profit per lb. of only 1¼c. In 1914, however, with its mine and plant idle, approximately two months, Butte & Superior earned $5.43 a share.

Consolidated Arizona

M. B. G., Big Rapids, Mich.—Consolidated Arizona's earnings are running about $50,000 a month and the output of the company will shortly be increased. The company has 285,000 tons of ore reserves which is about two years' supply. It has $250,000 first mortgage bonds and $966,000 income bonds convertible into stock at par. The capital stock is $8,234,000, par value $5.00. In 1915 the company produced 5,800,000 lbs. of copper. At present prices this stock can be considered a fair copper speculation.

Mines Co. of America

C. P., Honesdale, Pa.—Mines Co. of America has $8,376,583 stock, par $10. The company has already paid out $4,958,600 in dividends. The properties are very valuable and prospects are that it will be as good an earner in the future as it has been in the past. The balance sheet as of December 31, 1914, shows its strong financial position, with cash $222,122, bullion $396,633, supplies $266,707. Claims against the Mexican Government aggregate $382,920. This stock has recently declined somewhat because of the trouble in Chihuahua where the company's properties are located. This has temporarily halted operations to resume mining. The moment operations are started on this property the stock should advance considerably from present levels, as it is estimated that the mine has an earning power of $1.00 a year.

Dome Mines

G. M., Elizabth, N. J.—Ore reserve of Dome Mines on June 30, 1915, were valued at $17,201,859. There is $4,000,000 stock outstanding on which dividends were started September 1, 1915, at the rate of $2 a year. When the company increases its capacity it is expected that larger dividends can be paid. The stock has had an advance recently and it would appear to be selling high enough for the time being. It may be considered a good mining investment, however.

Tuolumne

H. D. F., Chicago, Ill.—Tuolumne Copper has only a limited acreage and has never shown any great producing ability. It is doubtful if operating expenses are now being earned. The output of the mines has been about 125 tons a day but, as only about 2½% of copper has been obtainable, the work has proved unprofitable. There has been some talk of either Anaconda or North Butte taking over the property, but nothing official has been given out. Both of these companies have properties adjoining Tuolumne. The stock recently sold for 16c. per share.

Alaska Juneau

B. S., St. Louis, Mo.—We are of the opinion that Alaska Juneau at present prices is one of the best mining speculations in the market at this time. The development of the property, it is officially stated, is making the progress expected and another year should see the mine in full operation. It is estimated that the company will have an earning capacity of $1.00 a share per annum. Its ore reserves are very extensive.

Nipissing

M. L. B., N. Y. City—We consider Nipissing Mines an excellent mining investment and a legitimate proposition in which a business man can invest a portion of his funds. The company is paying 20% per annum and, with silver at its present level, is earning considerably more than this. There are two years supply of ore on hand. It is unusual for a silver mine to block out much more than this. Prospects for the company developing further ore are excellent and the mine appears to have a good many years of life left. Silver metal appears to be in a very strong position, and we are inclined to believe it will advance further in price. If it does, Nipissing Mines should advance substantially.

American Zinc

C. W. G., Bloomfield, N. J.—American Zinc is a highly speculative stock. Current earnings are very good because of the high price of zinc. These prices are only likely to continue while the war lasts.

Ontario Silver

B. S. G., Scranton, Pa.—Ontario Silver's ore reserves are largely worked out, but there is still considerable quantity of low-grade ore which can be profitably handled at present prices for silver. The company is dewatering its mine and expects to increase production shortly. Silver metal appears to be in a strong position and prospects of its advancing further in price look bright. Ontario Silver, therefore, may have another advance.

Mining Digest

Alaska Gold.—DIRECTORS voted additional issue of $1,500,000 6% debentures, convertible at any time into stock at $30 per share. Including proceeds from this issue, there will have been raised $10,500,000 for purchase, development and equipment of property since present management took control.

American Smelting & Refining.—THREE FURNACES at Monterey, Mexico, have been blown in by company. Had arranged to resume operations at Chihuahua, but massacre of Americans caused delay.

Anaconda.—PREDICTED Anaconda will be able to increase its production by 15,000,000 lbs. monthly when operations at new Great Fall refinery commence in March. December production, 25,000,000 lbs.

Andes Copper Co.—INCORPORATED, with Andes Copper Mining Co., for $50,000,000 capitalization each at Dover, Del. Companies are controlled by Anaconda for development of Chilian fields.

Butte & Superior.—DECEMBER production, 16,031,000 lbs.

Calaveras Copper.—STOCKHOLDERS' meeting Jan. 31 called for purpose of voting on refinancing plan.

Calumet & Arizona.—OFFERS plan to purchase entire assets of Superior & Pittsburg Copper Co. on basis of $21.50 per share for Superior & Pitts. stock, or one share Calumet & Arizona for each 3½ shares Superior & Pitts. Stockholders of latter company will vote on proposal Feb. 10.

Calumet & Hecla.—REPORTED company has practically decided to issue quarterly reports of parent and subsidiary companies. Also probable monthly output statement of companies it controls will be issued.

Chile Copper.—IMPROVEMENTS under way expected to give company production of 500,000,000 lbs. annually by 1920.

Chino.—EARNING at rate of $15 per share at prevailing copper prices.

Davis-Daly Copper.—PROSPECTS are company's ore will run about 7% copper.

Goldfield Consolidated.—DIVIDENDS in 1915 totaled $1,601,616, or 45c. a share.

Guggenheim Exploration.—SPECIAL stockholders' meeting will be called to wind up company's affairs. Ninety-eight per cent. of Guggenheim stockholders voted to take Kennecott shares for their rights in Utah.

Granby Mining.—PRODUCTION now running at rate of from 45,000,000 to 48,000,000 lbs. of copper annually at cost of 9½c. per lb.

Helvetia Copper.—MINES cannot be operated without new capital, which means assessment of at least $2.50 per share, it was officially stated. Work will probably not be resumed.

Iron Cap Copper.—ANNUAL REPORT of 1915 shows output of 1,209,767 lbs. of copper at cost of 9.68c. per lb., for which company received average price of 18.15c.

Isle Royale Copper.—INDICATED PROFITS for 1915 are $404,000, or about $2.70 per share on company's 150,000 shares.

Island Creek.—DECEMBER production, 195,500 tons. Pond Creek's output now at rate of 75,000 tons monthly.

Kennecott Copper.—TELEGRAPHIC advices from Kennecott state ore was struck in main cross-cut on 700-foot level of Jumbo Mine.

Kerr Lake.—DECLARED regular quarterly dividend of 25c. a share.

Lake Copper.—INDICATED December production about 200,000 lbs. of copper.

Miami Copper.—COMPANY produced 41,000,000 lbs. of copper in 1915 and earned $3,608,000 net, or $4.82 per share, on 747,112 shares outstanding. Dividend of $2.25 per share was paid.

Mohawk Mining.—IN 1915, 15,882,914 lbs. of refined copper was secured from treatment of 829,789 tons of rock.

New Cornelia.—WHEN OPERATIONS commence it is expected production will be at the rate of about 30,000,000 lbs. annually.

Nevada Consolidated.—ESTIMATED company can earn over $5 per share annually for its stock with present copper prices.

Nipissing Mines.—OFFICIALLY stated company mined ore of estimated value of $112,907 in December.

Old Dominion.—DECEMBER output was 2,495,000 lbs. of copper. Reported earning at the rate of $15 per share.

Quick Silver.—SHARP ADVANCE in quick silver prices from $200 to $225 a flask means improved earnings for company.

Ray Consolidated.—COMPANY earning at rate of $7 a share annually on present copper prices.

Santa Fe Gold & Copper.—PROFITS in 1915 were $141,430.

Shattuck-Arizona.—DECEMBER production of 1,542,812 lbs. of copper at cost of 7c. per lb. means $8 a share for company's stock.

Tennessee Copper.—COMPANY'S acid plant now running full capacity after short period of inactivity for annual "cleaning out." In week ended Jan. 12 company produced 5,000 tons sulphuric acid.

Oil Inquiries

South Penn Oil

R. E. G., N. Y. City—South Penn Oil Company's earnings are now reported to be running at the rate of nearly 30% per annum. In 1915 the company paid 14%. This company is in strong financial position and we consider the stock a fairly attractive oil speculation in view of the present oil boom.

Central Petroleum

P. I., Washington, D. C.—Central Petroleum was incorporated August 4, 1915, as a successor to the Central Fuel Oil Co. The Texas Co. has control of the management for ten years ending April, 1923, through ownership of 600,000 shares of common stock. The preferred stock, which is guaranteed by The Texas Co. for a term of years, can be considered a good semi-speculative investment.

Illinois Pipe Line

J. H. D., Pittsburgh, Pa.—Illinois Pipe Line Co. is practically a new company, having been organized Jan. 1, 1915, after the U. S. Supreme Court ruled that pipe line companies were common carriers, thus making it necessary for the Ohio Oil Co. to create a new concern for its pipe line business. The Illinois Pipe Line Co. was formed with a capital of $20,000,000, par value $100. The 200,000 shares were distributed pro rata among the holders of the 600,000 shares of Ohio Oil Co.'s stock Feb. 1, 1915. During its first year of operations, Illinois Pipe Line paid $20 a share on its stock, out of earnings. On July 20, 1915, an initial dividend of $5 per share was paid from the first six months' earnings. On Jan. 15, 1916, $15 a share was paid stockholders, out of earnings of the last six months of 1915. Earnings are running satisfactorily, according to well-informed oil men, and the company's prospects are considered favorable.

Pierce Oil 6's

F. H., Cambridge, Mass.—The Pierce Oil Corporation 6's of 1924 are a direct obligation of the company, but are not secured by a mortgage, and since their issuance the company has put out $2,000,000 of 5-year 6% convertible coal notes due January 1, 1921. The balance sheet for December 31, 1914, showed a property investment of $26,034,117. The company owns three refineries, at Sand Spring, Oklahoma; Tampico, Mexico; and Vera Cruz, Mexico; about 49,000 acres of oil lands, some of which, however, are leased, upon which there were 71 producing wells on December 31, 1914; 604 distributing stations; 1458 steel storage tanks, the largest with a capacity of 55,000 barrels; 501 tank cars; 51,663 iron barrels and drums.

Since that time the company has increased its oil lands to 129,000 acres, it now owns two tank steamers, having a total capacity of 60,000 barrels, and has increased its tank cars to 798.

Eureka Pipe Line

E. E. A., Mystic, Conn.—Eureka Pipe Line is now paying at the rate of 24% annually on its stock. In 1914, 32% was paid, and in 1913, 40%. The price of this stock has rather steadily declined from a high of 460 in 1912 to its present level. It is a good opinion that the bottom has been reached and that it will from now on show some improvement. At present prices, we consider this stock a good oil investment.

Vacuum Oil

J. E. L., Titusville, Pa.—In the past two years the book value of Vacuum Oil stock has advanced from $198 to $222 a share. Profit and loss surplus December 31, 1914, was $18,326,693. During 1913, 1914 and 1915 profits of European subsidiaries were curtailed, first by the Balkan wars and later by the present war. Recently the company's sales of automobile lubricants in this country have greatly expanded.

Recent reports of the company have only shown profits on domestic business, as it was not possible to determine the profits from the various foreign marketing companies. Earnings from domestic business in 1914 equaled 13.8% on the stock. We consider the stock a good oil investment and we think you would do well to hold it.

S. O. of California

C. M. P., Detroit, Mich.—Standard Oil of California has very valuable property, but the stock has had a very substantial advance. If you have a good profit in this stock, we think you would do well to be on the safe side and take it.

Anglo-American Oil

F. P., Philadelphia, Pa.—Anglo-American Oil was ordered separated from the Standard Oil Company when the dissolution took place, and Standard Oil of New Jersey stockholders were given this stock as a stock dividend. This company is a British corporation and subject to the war tax. It is not yet known just how heavy this will be, and until it is known it is quite likely that the company will pursue a conservative course on the question of dividends to stockholders.

Midwest Refining

G. P. L., Franklin, Pa.—Earnings of Midwest Refining for the 10 months ended December 1, 1914, showed a surplus after deducting $493,000 for depreciation of $690,589. Current earnings have not been made public, but it is reported that they are establishing new high records. The company has $18,000,000 stock outstanding, and no bonds. The balance sheet as of December 31, 1914, shows over $1,000,000 working capital and a profit and loss surplus of $738,325.

Oil Notes

American Pipe & Construction Co.—REPORT for 1915 fiscal year, ended Dec. 31, showed net profits of $151,101. No dividends were paid.

Cosden & Co.—SYNDICATE formed to underwrite $2,000,000 6% bonds, which will be convertible into common stock at 20, par 5. Public will get bonds at 101.

Houston Oil.—DECLARED regular semi-annual dividend of 3% on preferred.

Imperial Oil.—UNDERSTOOD to have declared 100% stock dividend, making stock outstanding $22,000,000. Company will build $1,000,000 refinery at Regina, Canada. This company is Standard Oil of N. J. Canadian subsidiary.

International Petroleum.—COMPANY expected shortly to take over Lobitos Oilfield, Ltd., in Peru, which is considered successful company.

Mexican Pete-Cal. Pete.—MERGER understood to be temporarily halted.

National Transit.—RAISED pipe line rate gathering charge now 25c., increase of 5c.

Prairie Pipe Line.—OFFICIALLY announced company will build 75 miles of 8-in. pipe line and 14 miles of 6-in. line in Kansas.

Sapulpa Refining.—DOUBLED common dividend by declaring 1% monthly, payable Feb. 1. Also declared regular quarterly 2½% preferred dividend.

Stand. Oil of Calif.—DECLARED 50% stock dividend, distribution to take place about April 15; increase will make issued capitalization $75,000,000. 1915 earnings reported as high as 40 per cent. on $50,000,000 stock now outstanding.

Stand. Oil of China.—LATE ADVICES from China are not encouraging.

Stand. Oil of Kansas.—DECLARED regular quarterly dividend of $3 a share, payable Feb. 29.

Texas Co.—ANNOUNCED 20% increase of capital stock by issue of $7,400,000 new stock, subscription rights of which will be offered stockholders.

Tide Water Oil.—PURCHASE of White & Sinclair producing properties in Oklahoma practically completed.

Vacuum Oil.—REFINERIES being operated at capacity. Company's export business now about 85% of aggregate business.

West Penn Oil.—CAPITAL will be increased 10%, new stock to be issued at 150, par $25. Company now has about $40,000 stock outstanding.

The Complete Demagogue

PROBABLY the easiest of all trades for a man with a dependable set of vocal organs is that of a demagogue. The guiding principles of the trade may be set down in few words, as follows:

1. Nearly everybody in the United States wants more money. Some may complain of this thing and some of that; but on careful analysis it will appear that most of the complaints could be satisfied by more money.

2. There are various large accumulations of money in the United States.

3. Therefore, preach that these accumulations constitute the only national trouble worth mentioning. It is perfectly simple. There are the wants on one side and the money to satisfy them on the other. It is just as though there were a thousand hungry men on one side of the street and a vast delicatessen store on the other. Happiness is to be achieved by simply walking across the street.

4. Never be misled into any trumpery and complicated side issues. For example, New York City banks have over three billion dollars of deposits. Do not bother about who owns that accumulation or how it functions. Just call it a money trust and pitch into it with all the adjectives at your command. If anybody mentions railroads, simply point out that they are capitalized for twenty billion dollars. Pronounce it as though you were dragging a dog out of a gopher hole by the tail—his way: "Twent-e-e-e bil-y-o-n dollars!" That is enough to say about railroads.

5. At first, while you are green at the trade, you may hesitate to say outright that Morgan and Rockefeller own or control it. You may then credit it to a "small group of men in Wall Street"; but by a little practice Morgan and Rockefeller will come easy. This is so important that you can well afford to practice in the woodshed until you acquire the necessary facility.—*Saturday Evening Post.*

TRADERS' DEPARTMENT

Costs of Trading

By "FLORMAN"

ASK the average trader what his market operations cost him on the average and his answer, nine times out of ten, will run somewhat as follows: "Why, the brokers' commissions of 1/8 of 1% on 100 shares, or 1/4 for the 'round turn,' and the Federal and State tax of $2 each on the sale, and then whatever my broker charges me for interest." Perhaps he will even forget to mention interest, but even if he doesn't he has forgotten or never knew one important item which enters into nearly every trade and which has been aptly termed the "invisible eighth." Of the "invisible eighth" I shall speak a little later.

Interest Charges

Most persons figure that when they buy dividend paying stocks, the dividend returns about offset the interest charges, and this is true, except in times of high money. When a period of high money prevails, and sometimes it goes up to as high as 12%, the trader begins to be conscious of the fact that it is costing him considerable money to carry his stocks. And human nature is so constituted that the average person mistrusts what he cannot understand, and therefore comes to the conclusion that the broker is perpetrating grand larceny. If the trader followed the custom of deducting his interest charges from the profits on each transaction, or adding them to the loss, whichever the case may be, he would understand why the balance at his broker's increased more slowly and declined more rapidly than the circumstances seemed to warrant.

Average Interest Rate

Over a period of years the average interest rates charged by Stock Exchanges probably comes pretty close to 5%, and if, during the time of trading, the operator confined himself to stocks paying 5% or better, his account would not be materially affected by interest charges. *Provided* he was careful enough to carry his purchases *through* the dates when his stocks sold ex-dividend. For instance, supposing on the first of January a trader bought 100 shares of Steel common, now paying at the rate of 5%. Steel common sells ex-dividend on March 1. If the purchaser sells his stock on February 15 he will not receive his dividend and therefore should charge his profit or add to his loss, the interest charges for a month and a half during which time he held the stock. Allowing that he had a margin of 10 points or $1,000 up on his stock, and saying, for the sake of illustration, that he sold his Steel with a profit sufficient to cover brokerage and taxes, then his net loss on the transaction would be one and a half month's interest charges at the rate of 5% per annum on $7,500. That totals $46.87. Twelve trades a year of that sort would mean a debit of $562.44, or nearly 6 points on 100 shares of stock.

The Broker's Profit

It should be explained that brokers expect to make only a very small percentage on their interest accounts. Because a trader observes that call money is at 3% it does not necessarily mean that his broker has been able to borrow for all his requirements at that rate. Most brokerage houses make a monthly average of their time and call money and charge their customers a small fraction of 1% in excess of what the firm had to pay.

That it is perfectly fair for brokers to do is is apparent upon a moment's consideration. In the first place, the

broker has to advance money to purchase inactive securities, oftentimes of the "cat and dog" variety, and secondly, the borrowing and loaning of moneys, putting up collateral, etc., is a matter of overhead expense to the broker.

Non-Dividend Payers

In the case of non-dividend paying stocks the interest charge is clearly a very important item, since there is no offset. The costs of buying and holding 100 shares of Steel common on a 10-point margin for one month before it paid dividends (disregarding the extra eighth, of which more hereafter) would be as follows:

Brokerage on buying	$12.50
Brokerage on selling	12.50
State and Federal tax paid by seller	4.00
Int. at 5% for one month	31.25
	$60.25

If the broker allowed interest on the cash balance, and under the law no interest can be allowed on balances under $500, the expenses would be equivalent to a little more than ½ a point on the 100 shares, and if no interest was allowed on the cash balance, to not quite ⅝ of a point. It is customary to figure on the latter of the two.

Of course, the average trader is likely to be in and out of the market many times instead of once a month, but each time he is charged interest on his unpaid balances, so that the foregoing illustration serves the purpose of bringing out the point which I am trying to make in connection with interest charges.

That "Invisible Eighth"

In an early issue of The Magazine of Wall Street, a contributor expounded the theory of the "invisible eighth" so admirably that I cannot do better than to quote him here:

"There is another factor in profit production which is more important than the interest charge. Not one trader in fifty makes allowance for it, but it is there just the same, and operates with clock-like precision. The title, "invisible eighth," fits it rather well. I refer to the difference between the bid and asked price of a stock. Let us suppose that Copper is selling at 80. This price—80—is not the market price; it is simply the last sale. The market price will be found 79⅞@80, or 80@80⅛. Assuming that the second price was the ruling one, and you wanted to buy 100 shares of Copper at the market, you would have to pay 80⅛ for it. Supposing the market was dull and that Copper does not move for ten minutes, at the end of which time you change your mind and decide to sell the stock. The tape shows sales at 80⅛ and others at 80, so you figure you can probably get out even.

Your broker goes into the crowd with 100 shares selling at the market, and finding the price only 80, is obliged to accept that figure for your stock. The market, as you will see, has not changed at all. Transactions at 80⅛ represent purchases by those who wanted to *buy* at the market, and the trades at 80 represented *sales* by those who wanted to get out of the stock at the market. We, therefore, have the anomaly of ⅛ loss made in a stock which actually has not moved since the purchase was made. *The same principle applies to every transaction in every stock on the list,* except that in some stocks the difference is a quarter, a half, one per cent., or, in the case of those with extremely wide markets, a difference of four or five points will exist. Every time a trader buys and sells 100 shares of stock he loses this invisible ⅛, ¼, or whatever the fraction may be."

Hence it appears that an operator from the start has from ½ to ¾ of a point against him, according to the time his trade runs. If only a few days the charges, including the invisible eighth, would be about ½ a point, if a month ¾ of a point, and, of course, proportionately greater the longer time the interest charges acrue.

This article is not written for the purpose of discouraging trading in stocks. Its purpose is to explain and emphasize some important points in connection with trading which are commonly little understood and less heeded.

How to Choose Your Broker

By ROBERT L. SMITLEY

THE majority of customers of brokerage firms know very little about the firms with which they do business. In most cases, the customer becomes a client on account of his personal acquaintance with the manager or one of the partners; because he is attracted by an advertisement or market letter; because the firm has a reputation for making money for its customers; or the association might come about through banking connections. It makes but little difference how the customer happened to become a client, he should know all there is to know about the firm with which he is dealing.

Safety First

No sane man deposits his money in a bank until he has made a study of the officers and directors of the bank, noted its latest statements, and assured himself that the bank is a very strong institution. And it is a peculiar fact that very few, if any, sane men ever take the precaution to investigate their brokers.

It is a known fact that the firms with large capital, whose business is very large, know about the "pools" and the incidentals of some particular stock, before the movement up or down is apt to begin. Many of these large firms apportion a participation for each of their customers in these "good things" and it is the desire of every trader to belong to such a clientele. This particular service of the larger firm may offset the desire for the more personal service of the smaller firm.

The Matter of Personality

Personality often enters into the relation of broker and client to an undesirable degree, so far as the interests of the client are concerned. When a client is placing his money for banking, speculation or investment, it is the duty of such client to make an impersonal investigation. He may find that the most unattractive personality offers the safest service and the best information. Neither incorporation of the exchanges, or any governmental control will help the client in solving this problem. He must do it for himself. The old rule, "Let the buyer beware" is as important in the selection of a broker as in any other form of business.

Suggestions to Follow

The following are a few general suggestions for the client to follow in the investigations as to where it is best to open an account:

1. Decide, according to the nature of the proposed business, whether you desire personal attention with a small firm, or the advantages of a large firm.

2. If the intention is to carry large debit balances in the account, the large firm is preferable.

3. An investigation of the personality of the members of the firm is very necessary. Are they big spenders, or noted as heavy speculators, or are they conservative with good moral reputations and accredited with the ability of discerning financial acumen?

4. How do they treat their employees? Are they well paid and do they work under good physical conditions?

5. What kind of a man is the customers' manager?

6. Is the firm rated with the financial agencies, such as Dun's or Bradstreet's and what is the general opinion of its resources among its competitors? What do the partners tell you about the approximate capital which is invested in the business?

7. What are the facilities for keeping the customers well informed? Does the firm keep up to date in its subscriptions with the financial magazines, the news bureaus, the statistical agencies, and general business conditions? Will the customer be informed regularly regarding dividend periods, assessments, reorganizations and other important data, or will the customer be permitted to wander through the financial mazes alone?

8. Is the detail of the office so well

organized that the client may get information about his account at once and with accuracy?

9. Has the firm such connections as will enable it to at once locate the best markets, get the earliest data regarding new market movements, and secure participation in new and good investments and speculations?

10. Will the firm permit trading with inadequate margin—the greatest of all financial sins—and will the rules ever permit an account to fall below a ten per cent. basis?

11. Does the firm enjoy easy access to all good markets for the purchase or sale of securities, or does it have to charge an extra commission to effect a proper execution of orders?

12. Is the "Floor Member" efficient, always at his post, reporting your transactions at once, or will you suffer delay? Does the ticker, or official report of transactions, correspond with the reports of your broker?

13. When you have stocks or bonds paid for, does your broker put them in an envelope marked as your personal property until such a time as you contract a debit account with him, or does he use what you own "outright" to carry on his business?

14. What is the character and standing of the other customers whom you may happen to meet? Are they investors or speculators?

Ask the above questions, and more of a like nature, if you desire, but always remember the old motto, "Caveat Emptor."

Wall Street Jottings

New Bond Firm

F. Monroe Dyer and Andrew A. Smith, Jr., together with William G. Atkinson, George G. Moore, Jr., and Willard R. Cox, special partners, have formed a partnership under the name of F. M. Dyer & Company to deal in high-grade investment securities. All were formerly of N. W. Halsey & Company. The firm's offices will be at 24 Broad street.

Southern Pacific

The latest circular of A. A. Housman & Company treats of the Southern Pacific. Interesting comment is made concerning the various sources of the company's earnings and the business outlook for the coming year.

Investment Bankers Association

Proceedings of the Fourth Annual Convention of the Investment Bankers Association, held last September at Denver, Colo., have been compiled into a 300-page book by Frederick R. Fenton, secretary of the Association. The compilation is profusely illustrated with the pictures of leading members who attended the convention.

New Wash. Ry & Elec. Director

Mr. Oscar L. Gubelman, of the firm of Knauth, Nachod & Kuhne, has recently been elected director in the Washington Railway & Electric Company, the Potomac Electric Power Company, the City & Suburban Railway of Washington and the Georgetown & Tennallytown Railway Company.

Boston Firm Opens New York Office

The Boston firm of Paine, Webber & Co. has established a New York branch at 25 Broad street. The New York business will be in charge of Herbert I. Foster. The firm will transact a general brokerage business in stocks and bonds.

Railroad and Public Utility Bonds

Beyer & Co. have made an interesting compilation of the bonds of railroad, public utility and industrial corporations issued in denominations of $100, and showing the prices of these securities from 1906 to 1915, approximate yield and status for savings bank and other legal investments.

Investment Factors

"Investment Factors" is the title of an attractive little periodical published by Bowman Cost & Company, St. Louis, Mo., in the interest of "Purest People Who Want Income Returns From Their Funds and Corporation Executives Who Want the Best Results." Copies will be mailed gratuitously to readers upon mention of this magazine.

Mojave Tungsten

In connection with a circular descriptive of the Mojave Tungsten properties, Messrs. Carlisle & Co., 74 Broadway, N. Y., are issuing a very complete little booklet showing the widespread use and properties of tungsten in modern manufacture.

Odd Lot Orders and Their Execution

THE execution of odd lot orders on the New York Stock Exchange is confined to a special class of brokers who are recognized odd lot dealers. Practically all orders of less than 100 shares are turned over to them for execution. These firms do not transact business with individuals but deal only with brokers. They charge no commission but act as dealers, buying stock at the bid prices and selling at the offering prices of 100 share lots.

As an example of how the business is handled, says a broker, let us take an unlimited order given to buy 10 shares of Steel. This order is telephoned to an employee of an odd lot house who is located on the Exchange and he sends it to his principal. The latter ascertains the market on the stock, which we will presume to be 85 bid, offered at 85⅛, and immediately sells the 10 shares at the offering figure.

While the method just stated is used in a large number of trades, there is another way in which odd lots can be purchased and sold, and probably the greatest number of transactions now taking place are based upon quotations established by sales of 100 share lots. On *unlimited* orders the odd lot dealer generally will execute them at ⅛ from the 100 share transaction figure. However, in certain inactive issues, such as American Beet Sugar Preferred, the difference is sometimes ¼—but this is the exception rather than the rule.

With the exceptions above stated odd lot brokers will report purchases against *limited* orders at ⅛ above the first 100 share transaction taking place after entering the order, if that figure is less than the limit. Sales will be reported at ⅛ below the price established by the first 100 share transaction taking place after the order has been entered, if it is made at a figure higher than the limit. For instance, if an order to buy 10 shares of Great Northern is entered at 125 and the first 100 share transaction after entering the order is at 124½, the odd lot broker will report at 124⅝. Or, if an order is entered to sell 10 shares of the stock at 125, and the first 100 share transaction after the order is entered is 125½, the odd lot broker will report the sale at 125⅜. But, on the other hand, if an order is entered to buy 10 shares of Great Northern at 125 when the market in 100 share lots is 126, and the stock declines thereafter to 125, then to 124½ (the same day) without intervening sales, the odd lot broker will not report under the limit of 125. While; if an order is entered to sell 10 shares of the stock at 126, when sales of 100 share lots are being made at 125, and the stock should, in just the opposite manner, rise to 126 and then, without intervening sales, sells at 126½ upon the same day, the report will not be made at better than the limit of 126.

Odd lots of stock may be purchased or sold on stop orders in the same manner as 100 share lots. Stop orders to *sell* become operative as soon as round lots transactions take place, or stock is offered at or below the limit. After the order becomes operative, the stock will be sold on the bid, if the bid price is close to the offering price. But if the market is wide, the broker will wait for a sale and report at the next 100 share price, or, should that transaction be made at a figure above the limit, he will give a report ⅛ below the quotation for the 100 share lot. Stop orders to *buy* work in exactly the same way, although, of course, in the event of no sale at their limit or above, they become operative when the bid price of 100 share lots reaches, or advances past, the stopping figure, and if the market is close enough they are purchased at the offering price. Otherwise the broker waits for a sale and buys at the price made for the next 100 share transaction, except when such a transaction takes place at lower than the limit, and then the purchase would be made ⅛ above the 100 share price. In either case, if more than 100 shares sell at the stopping figure the broker will report the trade at the limit.

Technical and Miscellaneous Inquiries

Selling on "Stop"

Q.—During the latter part of last week I gave my broker an order to sell 10 Baldwin Locomotive at 116⅜ *stop*. I received notice today that my order had been executed at 116. I have no means of knowing how the sales went after the opening, but wish to know whether my order was correctly executed at 116, and whether it should have been executed at 116¼.—J. C. J., Annapolis, Md.

Ans.—It is impossible for us to know just how good the execution on your order was, but we are inclined to think it was fairly close. A stop order does not go into effect until 100 shares of stock has been sold at the price at which the stop order was put in, or a price under that. For example, if 100 shares of Baldwin sold at 116⅜, the price of your stop, your order to sell would be executed on the next sale of 100 shares, and the price you would get would, therefore, depend entirely on the price at which the next 100 shares changed hands.

The Broker's Privilege

Q.—I find that as long as I owe my broker say only $50 on $1,000 worth of stock he can put up my stock as collateral for a loan. If he fails I lose my money. Is there any way I can prevent him from making use of what is really my property except for the fact that I owe him a small balance?—E. B. T., Allston, Mass.

Ans.—There are two ways of getting around this. If it is a high class security you could have your bank take it up and loan on it directly to you, or if the stock which you are purchasing is more than one share, have part of it delivered to you, leaving enough with the broker to cover what is still due him. All the more reliable houses which operate the partial payment plan reserve the right to demand margin if the price of stock has a big decline. The partial payment plan is really the same as purchasing stock on margin. Its only advantage is that it encourages the purchaser to ultimately pay for the stock outright and take it up as an investment, but there is nothing to prevent anyone from doing the same with a margin account.

Partial Payment Versus Margins

Q.—I have purchased a number of shares of stock in the partial payment basis, but find that I cannot keep up to the payments on all of the stock. Would you advise my continuing the payments for a little while longer or to put these stocks on a margin basis by advancing a little more money?—Y. L. O. Roanoke, Va.

Ans.—We think the best plan, if you cannot keep up present payments, would be to sell our part of your holdings and continue the partial payment plan with the balance.

Savings Bank or Trust Co.?

Q.—Will you kindly tell me what is the difference between a State savings bank and a trust company? Are deposits as safe with a reliable trust company as with an incorporated bank?—A. W. T. Warren, Pa.

Ans.—There is a wide difference between a State savings bank and a trust company, as the former is more closely restricted as to the character of its investments than the latter. A State savings bank is chartered to receive deposits and is prohibited from conducting a general banking business, is generally incorporated, and has no stockholders. Trust companies have a much wider field for investing their funds, though even this class of financial institutions cannot invest more than 10% of their capital and surplus in any particular stock. Trust companies are allowed to hold bonds in a single company or corporation to the extent of 25% of their capital and surplus. State savings banks cannot put their money in stocks and they are restricted to a list of selected bonds, usually Government or State issues, and some high-grade railroad bonds. The only way a State savings institution may possess stocks is by taking them in payment of bad debts or by taking them under reorganizations. We would suggest that you place your money in a State savings bank, for while there are many reliable trust companies, less risk is incurred in depositing money in a State bank.

Revenue Stamps

Q.—Ought not revenue stamps be affixed to certificates of stock bought by my broker and delivered to me?—R. S., Chicago, Ill.

Ans.—Your stock certificates should not carry any U. S. revenue stamps. The stamps are purchased by the broker selling the stock and canceled by the broker buying the stock.

State Bond Taxation

Q.—In your issue of December 11 you state (referring to New York City bonds) that "to residents of New York State they are exempt from taxation." It is news to me that holders of New York City bonds who do not reside in New York State are obliged to pay a tax. How is the tax applied?—G. Y. M., N. Y. City.

Ans.—New York State bonds, or in fact any State or municipal bonds, are not subject to the Income Tax. Certain States which have property taxes would tax New York State bonds held in that State. This property tax, of course, would be applied on the value of the bonds.

"In My Wife's Name"

Q.—If I buy property in my wife's name, nothing is needed to make her the owner of the property in case of my death. It is the same if I have a bank account in our joint names, or if I have a savings bank account in my name and "in trust for my wife." Can an account with a broker be had in the same way?—A. J., Emerson, N. J.

Ans.—You can open an account with a broker in your wife's name and have her sign a letter to the effect that orders sent by you to buy or sell stocks are to be acted upon. Under these circumstances the account will belong to your wife, but you will be in a position to trade as though it were your own.

Consolidated and Curb

Q.—Will you kindly explain the Curb and Consolidated Exchanges and their difference from the New York Stock Exchange?—W. D. R., Philadelphia, Pa.

Ans.—The Curb market, which is conducted under the auspices of the New York Curb Association, makes a market for various stocks which are not listed on the New York Stock Exchange. Almost anyone can join it. Also, there are few restrictions against the trading in any stock in this market.

The Consolidated Stock Exchange can be termed a small edition of the New York Stock Exchange. Its rules are very much the same and trading is largely confined to the same stocks which are treated on the New York Stock Exchange. The unit of trading on the New York Stock Exchange is 100 shares, whereas on the Consolidated Exchange it is 10 shares. The principal reason for its being is to provide a market in which 10 share traders can operate.

A "Bucketed" Order

Q.—If a broker should call upon a customer for additional margins while the Stock Exchange was closed in 1914, and at the same time stated that the stock the customer owned could not be taken up as it was up for loans, and if afterwards the broker assigned and it proved that the broker had never purchased the stock for the customer but had "bucketed" the order, would not the call for margin constitute obtaining money under false pretenses and would not the customer be warranted in taking up the matter with the postal authorities?—D. B., Allentown, Pa.

Ans.—As you have stated the matter to us, it would certainly appear that you have a good case against the broker mentioned. However, as the broker has already made an assignment, you would not gain very much, in our opinion, by taking the matter up with the United States postal authorities. We think the best thing for you to do would be to place the matter in the hands of a lawyer.

That "Extra Eighth"

Q.—I am at loss to understand why "odd lots" must be bought and sold at ⅛ over and under the quotation price. Will you kindly explain this to me?—B. S. D., Los Angeles, Cal.

Ans.—There are certain firms which make a specialty of trading in odd lots. They have adopted the rule that the price of an odd lot should be ⅛ above a 100 share sale, if bought, and ⅛ below, if sold. They make their profits by collecting the odd lots and buying or selling in 100 share units. The ⅛ difference is enough to make the percentage in their favor, though on some deals, of course, they have to take losses.

Market Statistics

The accompanying tabulation is of great value to the trader as it gives a bird's-eye view of the market situation in all its aspects. By comparing the statistics in each issue with previous periods many helpful conclusions may be drawn.

			Dow Jones Avgs. 12 inds.	20 rails	50 stocks High	Low	Total Sales	Breadth (No issues)
Monday	January	17	125.89	106.56	90.80	89.71	504,200	199
Tuesday	"	18	126.93	106.22	90.53	89.18	527,400	203
Wednesday	"	19	126.82	105.90	90.28	89.01	556,300	187
Thursday	"	20	125.53	105.02	89.36	87.97	618,200	207
Friday	"	21	126.53	105.55	89.54	88.25	562,100	205
Saturday	"	22	126.27	105.41	89.33	88.75	669,100	207
Monday	"	24	126.21	104.07	88.86	87.19	659,100	208
Tuesday	"	25	126.55	103.98	88.53	87.75	464,400	190
Wednesday	"	26	122.82	102.74	88.96	86.97	748,900	201
Thursday	"	27	123.95	102.42	87.35	86.23	730,600	207
Friday	"	28	123.59	102.37	87.81	86.65	534,200	184
Saturday	"	29	121.65	101.83	86.90	86.03	281,100	165

COTTON AND GRAIN

Bears Active in Cotton

By C. T. REVERE

COTTON has apparently broken the deadlock which has held it in such a tight grip since the latter part of December, but the change from the monotonous routine of daily fluctuations has been at the expense of prices. The position of the bears, instead of being confined chiefly to academic arguments in favor of a decline, has crystallized into rather aggressive action.

At present the tendency of the market appears to be lower, and the chief hope of arresting the decline is based on claims of an oversold condition. The opposing factors in the market are rather clearly drawn. The bears take the position that the scarcity of tonnage and high freight rates will leave a burdensome surplus in the hands of Southern holders, which they will not care to take over into the new season with the prospect of another crop.

The bulls rest their hopes chiefly on the ability of the South to hold, although their contentions are given additional support by evidence of a large American consumption and spinners takings on a record scale. Judging from the present rate of absorption, there does not appear to be any certainty that the visible supply at the end of the season will be anywhere near the proportions suggested by the bears.

The Census Bureau placed the amount of cotton ginned up to January 16 at 10,766,000 bales. In 1910, the season with which it is popular to make comparison, only about 350,000 bales were ginned after January 16. The present crop is of smaller proportions than it was in that season, and it is hardly reasonable to look for such an extensive end-of-the-season ginning.

From all indications, therefore, the crop is not likely to be in excess of 11,161,000 bales as estimated by the Crop Reporting Board of the Department of Agriculture on December 10. Speculatively, however, the size of the crop is no longer a factor. The yield is admitted to be short, and the moderate supply may, therefore, be considered discounted.

The chief bearish card is the light export movement. Thus far this season there have been exported approximately 2,700,000 bales against 3,500,000 bales last year, and 6,200,000 bales two years ago when the crop was only about 14,000,000 bales, and commercial conditions were normal. At present the bears are predicting that exports, including linters, will not be in excess of 5,000,000 bales, and may even drop as low as 4,000,000 bales.

Figuring on the basis of 5,000,000 bales, and allowing for an American consumption of 7,250,000 bales, which represents the extreme of bearish claims, it is apparent that a considerable amount of cotton will have to be carried over into next season.

The present crop is about 11,900,000 bales, with linters, and with an excess carried over from last season of approximately 1,600,000 bales, there is available a supply of about 13,500,000 bales, which could be absorbed and still leave a normal visible at the end of the season.

The course of the market within the next two or three months will be influenced greatly by the new crop prospects. There are indications that the South, tempted by the remunerative prices of the last year, will increase its acreage. The scarcity of fertilizer is likely to lead to putting under cultivation considerable virgin soil. There is also a feeling that the importance of the fertilizer question has been unduly emphasized. The chief ingredient which will be scarce is potash. This element is not considered absolutely essential for the cultivation of cotton,

partly because most of the soils in the Eastern belt contain more or less potash.

Although no one will disparage the use of fertilizer when intelligently applied, there is good evidence that the part it has played in increasing the yield of cotton from the South has been overestimated. Individual farmers have been known to raise two or three bales to the acre on prize plots of ground which ordinarily would produce only half a bale, but the general increase over the belt as a result of the use of fertilizer has been disappointing.

Four states—the two Carolinas, Georgia and Alabama—use large quantities of fertilizer. These states now plant about 12 million acres, and a normal yield would be 6,500,000 bales to 6,750,000 bales. Until 1903 very little fertilizer was used, and the beginning of intensive cultivation started about 1904 to 1908. It is fair to assume that the average yield from 1893 to 1903 inclusive would show the productive capability of the area of these states without fertilization, and from 1910 to 1914 inclusive would show the result of up-to-date fertilization.

Taking the Government figures of the 10-year period from 1893 to 1902 inclusive it is shown that 36,115,193 bales were grown on 96,110,140 acres, or an average of about 185 pounds per acre. In the five years ending with the 1914 crop the same states planted a total of 66,967,000 acres and gathered 30,620,208 bales, an average of 228½ pounds per acre.

In the period of intensive cultivation and high fertilization, we have an increased yield of 43½ pounds per acre. This increase has been credited entirely to the use of fertilizer. It is only fair to assume that part of the gain has come from improved methods of farming, including rotation of crops, deeper plowing and better cultivation generally.

These figures will furnish something of a surprise to persons who have seen the yield of individual tracts of land double and quadruple. The average for the belt, however, is what will count in the production of millions of bales.

It may be assumed, therefore, that the importance of fertilizer, at least as a factor in the cotton market, has been greatly overestimated.

United States Cheapest Wheat Market

By P. S. KRECKER

ANALYSIS of the situation in wheat brings into bold relief a number of factors which will have an important bearing upon the future price movement of that commodity. These may be enumerated briefly as: The bullish temper of the public in which term are included the growers of wheat; the fact that the United States continues to hold a commanding position as the cheapest wheat market in the world; the rapid absorption of the Canadian Spring wheat crop as well as of that of the United States; reduction in estimates of the exportable surplus of Argentine; the fact that the Argentine crop is just beginning to make its weight felt on the world's markets, and finally the somewhat weakened technical position of the speculative market.

There is no question that the public has been disposed of late to take the bit in its teeth and run away with the market. Outside interest in wheat is large and growing, nor is it checked by the fact that the market as this is written has had a pronounced advance and is in the neighborhood of the highest prices of the season. Farmers are among the stoutest hearted bulls. They have become imbued with the idea that

wheat will go to $1.50 a bushel and they are backing their opinion with their cash in two ways. They are disposed to hold part of their wheat and they are buying contracts in the future markets. The general public is a large trader in wheat and is confident that prices will go much higher. There has been a large and powerful bear party in the market, but this consists of interests which are engaged either directly or indirectly in the export trade, and it is financially advantageous for them to fight the advance. While resisting the rising tide of values they have been forced to swell it with their purchases under foreign orders.

Public confidence in the inherent strength of the wheat market and in still higher prices, has more than one argument in its favor although conservatism would justify caution after a sustained advance of 30 cents or more a bushel and a rise of more than 40 cents a bushel from the low range of prices that prevailed last Fall when the pressure of a great crop was making itself felt. The fact cannot be ignored, for example, that the United States still is the cheapest wheat market in the world. As predicted in this department several months ago, the British government has discriminated in favor of Canadian wheat. The extent of this discrimination is plainly indicated by comparative statistics of exports from the United States and from Canada. Exports from the United States from July 1 to December 31, are estimated to have been 120,000,000 bushels compared with 177,000,000 bushels during the corresponding period of last season, while Canada has exported 129,500,000 bushels compared with only 55,600,00 bushels the previous season. Thus the United States has exported about 35 per cent. less than during the corresponding period of 1914, while Canada has increased her exports by about 130 per cent. These figures tell their own story. However, with gradual shrinkage in available supplies, Canadian wheat has been gradually increasing its premium over inferior American winter wheat, and the discrepancy in values has lately become so pronounced that foreign governments have been buying the American winter grades in spite of their admitted inferiority. A good part of the recent export demand has been for American hard winter wheat which at the Gulf has ruled 28 to 30 cents a bushel under No. 1 Northern Manitoba at seaboard, and at seaboard has averaged from 16 to 17 cents a bushel cheaper. Such a big difference in values has made the American winter wheat particularly attractive and it is coming into its own as an export commodity.

Besides having the advantage of offering the cheapest wheat, the United States continues to enjoy the added advantage of cheaper transportation charges and time. The congestion in ocean freights has not been relieved and rates continue to dominate the export situation. Argentine rates have lately been reduced, but the United States still has a margin of advantage in this respect while there is no disputing the superior position it enjoys in point of time.

Absorption of North American wheat supplies has been rapid. While the United States has exported nearly 60,000,000 bushels less than it did during the corresponding period of last year, Canada, as noted, has increased its exports by 74,000,000 bushels, so that the sum total of North American exports has reached the estimated figures of 249,000,000 bushels, compared with 232,700,000 for the corresponding period last season. While the export movement has exceeded that of last year, the available supply on the North American Continent still is much larger than last year. Latest estimates at time of writing place the total at 174,384,000 bushels compared with 110,000,000 bushels last season. This difference is accounted for largely by the big Canadian crop. Although Canada has exported more than twice as much wheat to date as she did last season, she still has more than twice as much left, the total being estimated this season at 91,719,000 bushels, compared with 35,121,000 bushels last year. However, at the present rate of ex-

ports, the surplus of the North American Continent will be exhausted before new crop wheat is on the market. That is a fact which should be considered in appraising values.

Bears on the market emphasize the undeniable fact that world's supplies of wheat are ample to feed all. But this fact loses its significance because of the abnormal conditions that exist. Wheat which Australia and Argentine cannot ship because of high and scarce freights, might as well be locked up behind the Dardanelles along with millions of bushels of Russian wheat, as far as it affects the immediate problem of supply. Eventually wheat may be bought in every market as freely as it now is being bought in North American markets, but that time does not appear to have come yet. In this connection it is of interest to note that estimates of the Argentine surplus are lower rather than higher compared with earlier figures. This surplus now is estimated to barely exceed 100,000,000 bushels, counting the 15,000,000 bushels carry-over from the previous crop. As high as 120,000,000 bushels was the guess of crop experts some time ago, though others estimated the crop below this figure.

It is admitted, however, that the Argentine crop has not made its full weight felt as yet. The size of the yield and the prospect of its export will continue to be market factors which the bears will play up to the best of their ability. Meanwhile, the speculative position in the contract market has been weakened somewhat by the active trading on the long side. Shorts have been reducing their lines while the public has been pyramiding. Foreign buying has been the underlying factor of strength. There has been a tendency to switch into the July option, a fact accounted for by the weather scares which have cropped up at times. May continues to be the keystone of the market. It has possibilities on the long side which July can hardly share in full unless genuine damage is done to the winter crop. In the meanwhile it can be set down as a safe proposition that as long as the United States continues to be the cheapest wheat market in the world, it will be dangerous to trade on the short side except for quick turns.

When Porter Tired

WILLIAM H. PORTER, of the firm of J. P. Morgan & Co., is a hard worker. But he is not given to boasting of that habit. Not very long ago a Wall Street publication wrote a short squib about Mr. Porter and headed it "William H. Porter, the Man Who Never Tires." It told how the banker was to be found at his desk promptly at nine o'clock every working day, and how he was the last to shake the office dust from his shoes at night. It described vividly Mr. Porter's tireless energy and indefatigable zeal, in short, it portrayed him as some sort of a superman with a slackless desire for labor amounting almost to an obsession. Not long after the publication received a note from Mr. Porter, the substance of which was about as follows:

"Dear Sirs:

"I have read with interest your article about 'William H. Porter, the Man Who Never Tires.' Allow me to say that it made me very tired."

The reporter who wrote the squib now gives "23 Wall Street" a wide berth.

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

SOUND INVESTING

By Paul Clay. (Price $2.10 postpaid. For sale by The Magazine of Wall Street.)

SOUND INVESTING, by Paul Clay, is the sort of a book on finance for which there is a genuine need by the investing public. The author first gives the reader a general idea of the different classes of stocks and bonds of the merits and characteristics of each class, and of the best methods of handling securities with a view to obtain the largest possible yields and profits consistent with safety. He then describes ten classes of persons to which the investor may belong, and tells which kinds or types of securities are most likely to satisfy his own particular or personal needs. Continuing, chapters are given upon each particular kind or type of security, giving the general distinction between the safe and unsafe securities of this class.

Detailed attention is also given to the varying methods of analyzing different types of bonds, notes and stocks. A section is also devoted to the practical questions which the investor is bound to meet if he has decided what to buy. Among these are:

Where to find the particular security wanted, how to select a bond house or broker, how to buy and sell, what the stock or bonds ought to yield, how to make the best use of securities held for investing.

One short chapter is devoted to considering the feasibility of speculation; and in the back of the book is given a short and rough method of finding the approximate yields of bonds without buying expensive bond tables.

Readers of THE MAGAZINE OF WALL STREET are quite familar with Mr. Clay's work through his contributions to our columns and we are sure that they will appreciate not only the spirit but the manner in which Mr. Clay has handled his subject.

The volume is well worth many times its cost to the average investor, for whom it is written. Its aim is entirely practical and offers directions to the uninitiated, enlarges the understanding of the small investor and assists the experienced buyer of securities.

THE EXECUTIVE AND HIS CONTROL OF MEN

By Enoch Burton Gowin, Asst. Prof. New York University. Price $1.60 post paid. For sale by The Magazine of Wall Street.

IN the 350 page book which Enoch Burton Gowin, Assistant Professor of Commerce, School of Commerce, New York University, has written, he endeavors to tabulate and analyze the constituent psychological elements which bring a man to the forefront as a leader of men. In these days of increasing interest in the subject "Efficiency," such an effort is sure to attract widespread interest.

Professor Gowin tells how personal efficiency is developed, and discusses the various methods through which the successful executive animates and inspires those under his directions, such as the force of personal example, emulation, rewards, instruction, suggestion, etc. The third part of the book analyzes the limits to the executive's power. such as apathy, opposition and competition, and shows how these should be dealt with.

Among those who the author mentions as conspicuous examples of personal efficiency are Woodrow Wilson, E. P. Ripley, Charles Schwab, Theodore Roosevelt, James J. Hill, William Sunday and E. H. Gary. The scope of Professor Gowin's work is indicated by the following chapter titles: Organization, Systematic Personal Effort, Discipline, Rewards, Stimulating and Controlling Men, The Executive's Adaptability, Idealism, etc. The work is an important contribution to the study of psychology and in addition is of great practical value to the executive and the person who aspires to be an executive.

CAPITAL TODAY

By Herman Cahn. (Putnan's.) Price $1.60 postpaid. For sale by The Magazine of Wall Street.

CAPITAL TODAY, by Herman Cahn, is a study of recent economic development. It is written with special reference to the economic development of the United tates since the Civil War, but is illustrative in a general way of conditions obtaining or shaping themselves in all advanced countries of the world—so closely in touch with one another are now the world's leading nations.

The volume presents a scientific analysis of the great development of capital which began about fifty years ago. "The money problem overshadows all else in economics and portends a turning point in human history."

In conclusion the author says: "In conformity with nature's general method, human progression has led through a vale of tears and sorrows. The golden tool became the master of the workman, setting the pace for him, driving him pitilessly and relentlessly toward the completion of a task he understood not. The fateful gold rules giants and dwarfs, Gods and men. Now the wave is rising which will sweep away the Ring of the Niebelung, stripped of power, cleansed of blood, its natural character restored—that of being a mere thing of beauty and guiltless delight, mere Rheingold."

The volume commends itself to the thinking public because it is written by a writer who combines scientific equipment with wide business experience.